

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, California 95814



September 11, 2000

ALL COUNTY INFORMATION NOTICE I-88-00

TO: ALL COUNTY WELFARE DIRECTORS
ALL WELFARE-TO-WORK COORDINATORS

SUBJECT: EARNED INCOME TAX CREDIT

REASON FOR THIS TRANSMITTAL

- State Law Change
- Federal Law or Regulation Change
- Court Order
- Clarification Requested by One or More Counties
- Initiated by CDSS

REFERENCE: ALL COUNTY INFORMATION NOTICE I-93-99, DATED DECEMBER 10, 1999

The purpose of this letter is to provide information to assist counties in expanding awareness about the Earned Income Tax Credit (EITC) to California Work Opportunity and Responsibility to Kids (CalWORKs) participants. The EITC is a resource for participants who are employed and provides an incentive to obtain or retain employment.

The EITC is a refundable tax credit available to qualifying low-income individuals and families. It provides support for families making the transition from welfare to work. Individuals who qualify for the EITC and file a federal tax return can receive a refund of some or all of their federal income tax. Qualifying families receive the full amount of the credit even if that amount is greater than the amount of taxes owed. Qualifying families with no tax liability receive the entire credit as a refund.

According to the Internal Revenue Service (IRS), millions of dollars in EITC go unclaimed each year because taxpayers do not apply for the credit. Many individuals do not claim the EITC because they are either unaware of the credit or of their eligibility for the credit. Some low-income individuals have not recently filed a tax return, while others are fearful to file tax returns for a number of reasons. In addition, many individuals are unaware that if an EITC has not been claimed, an amended tax return may be filed within three years.

One of the goals of the IRS is to actively promote the EITC and Volunteer Income Tax Assistance (VITA) program. The IRS intends to accomplish this goal by collaborating with public agencies, such as county welfare departments (CWDs). The IRS District Taxpayer Education Coordinators are available to meet with interested CWDs to customize their services to best fit the needs of each county. The IRS is committed to working with CWDs to make the projects as easy and efficient as possible to effectively assist CalWORKs participants.

The IRS is a valuable resource for CWDs to utilize for providing information to CalWORKs participants about the EITC. The IRS will mail an EITC information packet to all CWD Directors and Welfare to Work Coordinators shortly after release of this ACIN. The packet will include outreach materials (in English and Spanish), brochures, information on the Advanced EITC, and general information on eligibility for the EITC

and information on preparing tax returns. Although this information has not been updated for the 2000 tax season, it is being provided now to show counties the type of information available free of charge that may assist in increasing awareness of the EITC. Information for the year 2000 tax season will be available in December 2000. An EITC videotape is also available. For information regarding the publications and the video, please contact the District Taxpayer Education Coordinator in your area.

The IRS can provide training to CWD staff on the EITC. In addition, the IRS can provide CWD staff, on a volunteer basis, electronic filing tax preparation training to file tax returns for CalWORKs participants who are eligible for these tax credits. Counties can also receive assistance from the IRS to help individuals in filing amended tax returns to recoup EITC credits from previous years.

The following are examples of how counties have, or are planning to collaborate with the IRS to assist participants in accessing the EITC.

- Sacramento County Department of Human Assistance (DHA) and the IRS formed a partnership to increase awareness of the EITC program among DHA participants. The goal of the project was to increase the dollar amount of EITC monies into the Meadowview Community, as well as to introduce more taxpayers to electronic filing. DHA sent participants information on the EITC, its potential benefits, and information on how to qualify for a refund, as well as how to access free tax preparation services. The IRS provided Volunteer Income Tax Assistance (VITA) training to 40 DHA volunteer staff, enabling them to prepare and electronically file state and federal tax returns. DHA, with the assistance of the IRS, prepared 689 tax returns and electronically filed 620 returns. The total EITC claimed on the returns prepared during this project exceeded \$400,000. Due to the success of the 1999 project, the Sacramento County plans to provide similar services to its participants countywide for the year 2000 tax season.
- Alameda County Social Services Agency is currently working with the IRS to organize special EITC workshops. Recipients will be able to file amended tax returns to claim back credits for the last three tax years. The project is tentatively scheduled for September 2000.

CWDs are encouraged to take advantage of opportunities to assist employed CalWORKs recipients to file tax returns and expand awareness of EITC. CWDs are encouraged to start planning for joint projects with the IRS as soon as possible. Contact the District Taxpayer Education Coordinator in advance to ensure training or information can be provided at a time or date that is convenient. Please take into consideration the preparation and training time required to develop the program. A list of offices where IRS District Taxpayer Education Coordinators can be reached is attached.

If you have any questions, please contact your Work Support Services analyst at (916) 654-1424.

Sincerely,

***Original Signed by Jo Weber
On 9/11/00***

JO WEBER, Chief
Work Services and Demonstration Projects Branch

Attachment