

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814



February 16, 1993

ALL COUNTY INFORMATION NOTICE I-07-93

TO: ALL COUNTY WELFARE DIRECTORS

REASON FOR THIS TRANSMITTAL

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

SUBJECT: EARNED INCOME CREDIT OUTREACH CAMPAIGN

REFERENCE: ALL COUNTY INFORMATION NOTICE NO. I-18-90, dated
March 12, 1990

The purpose of this letter is to transmit reproducible copies of the Earned Income Credit outreach flier, envelope stuffer and fact sheets. The Center on Budget and Policy Priorities prepared the outreach campaign flier, envelope stuffer and fact sheets for distribution to all state human service agencies. The campaign's goal is to inform low-income working families who are eligible for, but may not be aware of, the earned income credit benefits. These payments do not count as income in determining eligibility or benefit levels for the AFDC, Food Stamp and Medi-Cal programs. Therefore, recipients of these programs will benefit by applying for and receiving an earned income credit.

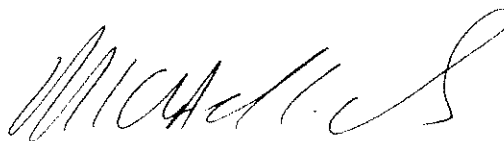
Counties are encouraged to reproduce and distribute the flier, envelope stuffer and fact sheets to recipients requesting information regarding the earned income credit. These materials are not required forms, and will not be stocked by the California Department of Social Services. Copies of the flier in English and Spanish are attached. A camera-ready copy of the flier in Cambodian, Chinese, Lao and Vietnamese will be sent to the county Forms Coordinators under separate cover by the Language Services Bureau.

In addition, we intend to enclose a separate, smaller stuffer (sample attached) with the April Medi-Cal cards to AFDC recipients. In an effort to reach as many recipients as possible, we are also sending this stuffer to the Department of Health Services Managed Care Branch to copy and distribute as needed to their providers.

For more information about the campaign, contact Karen Lightfoot or Scott Barancik at the Center on Budget and Policy Priorities at (202) 408-1080. A limited supply of brochures and posters can be obtained from your Internal Revenue Service (IRS) Public Affairs District Offices free of charge. The IRS district offices are located in: Laguna Niguel, Los Angeles, San Francisco, San Jose and Sacramento.

If you have any questions regarding this letter, please contact Pam Kian of the AFDC Policy Implementation Bureau at (916) 654-1801.

Sincerely,

A handwritten signature in black ink, appearing to read "MICHAEL C. GENEST". The signature is fluid and cursive, with a large, sweeping flourish at the end.

MICHAEL C. GENEST
Deputy Director
Welfare Programs Division

Attachments

ATTENTION

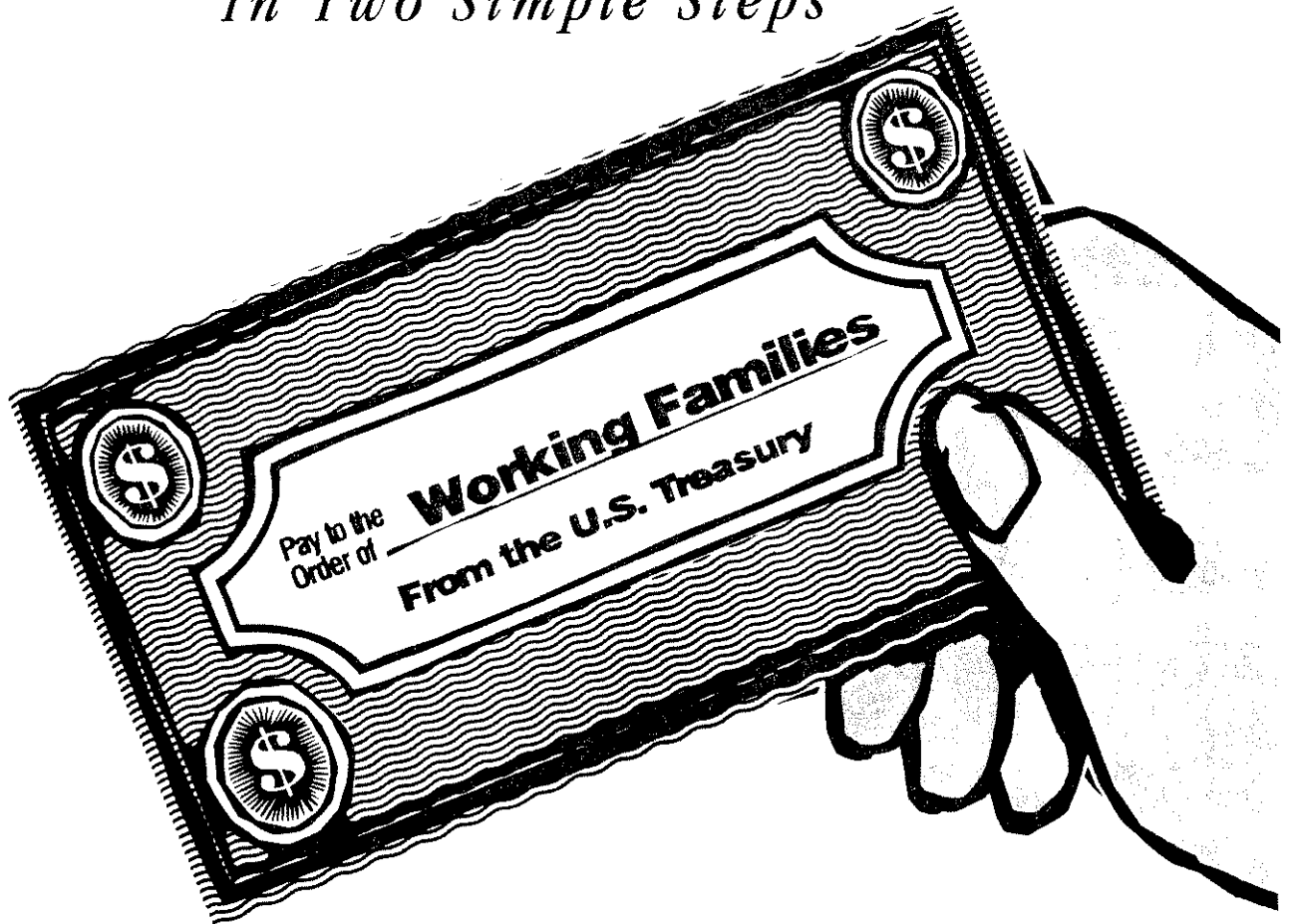
You may be eligible to get a cash refund or credit of up to \$2211 from the IRS. The Earned Income Credit (EIC) is a Federal tax credit for low-income married or single working parents. You may qualify if you earned less than \$22,370 in 1992 and have at least 1 child who lived with you for half or more of the year. To apply for the Earned Income Credit, you must file a Federal income tax return Form 1040A or 1040 and fill out "Schedule EIC." Attach "Schedule EIC" to your tax return. You can get the EIC refund even if you don't owe income tax. For more information, call the IRS at 1-800-829-1040. EIC is not counted as income when we figure your AFDC, Food Stamp or Medi-Cal benefits.

ATENCIÓN

Es posible que usted reúna los requisitos para obtener un reembolso en efectivo o crédito de hasta \$2211 dólares del Departamento de Impuestos Federales (IRS). El Crédito por Ingresos Ganados (EIC) es un crédito sobre los impuestos federales para los padres (y madres), casados o solteros, de bajos ingresos, que trabajan. Es posible que usted reúna los requisitos si ganó menos de \$22,370 dólares en 1992, y tiene por lo menos un niño(a) que vivió con usted por lo menos la mitad del año o más. Para solicitar el Crédito por Ingresos Ganados, tiene que presentar una forma 1040A o 1040 Declaración de Impuestos Federales sobre los Ingresos, y completar la forma "Schedule EIC." Adjunte el "Schedule EIC" a su forma de declaración de impuestos. Usted puede recibir el reembolso de EIC aunque no deba impuestos sobre los ingresos. Para más información llame al IRS al 1-800-829-1040. No se cuenta el EIC como ingresos cuando calculamos sus beneficios de AFDC, Estampillas para Comida o Medi-Cal.

Get Up to \$2,211

In Two Simple Steps



Did you work during 1992—and did your family earn less than \$22,370?

Did a child live with you for at least half the year?

If so, you may be eligible for up to \$2,211 from the Earned Income Credit. It's a federal benefit for both married and single parents.

Getting your Earned Income Credit takes just two simple steps:

- 1** file a federal income tax return (Form 1040A or 1040)
- 2** fill out "Schedule EIC" and attach it to your tax return

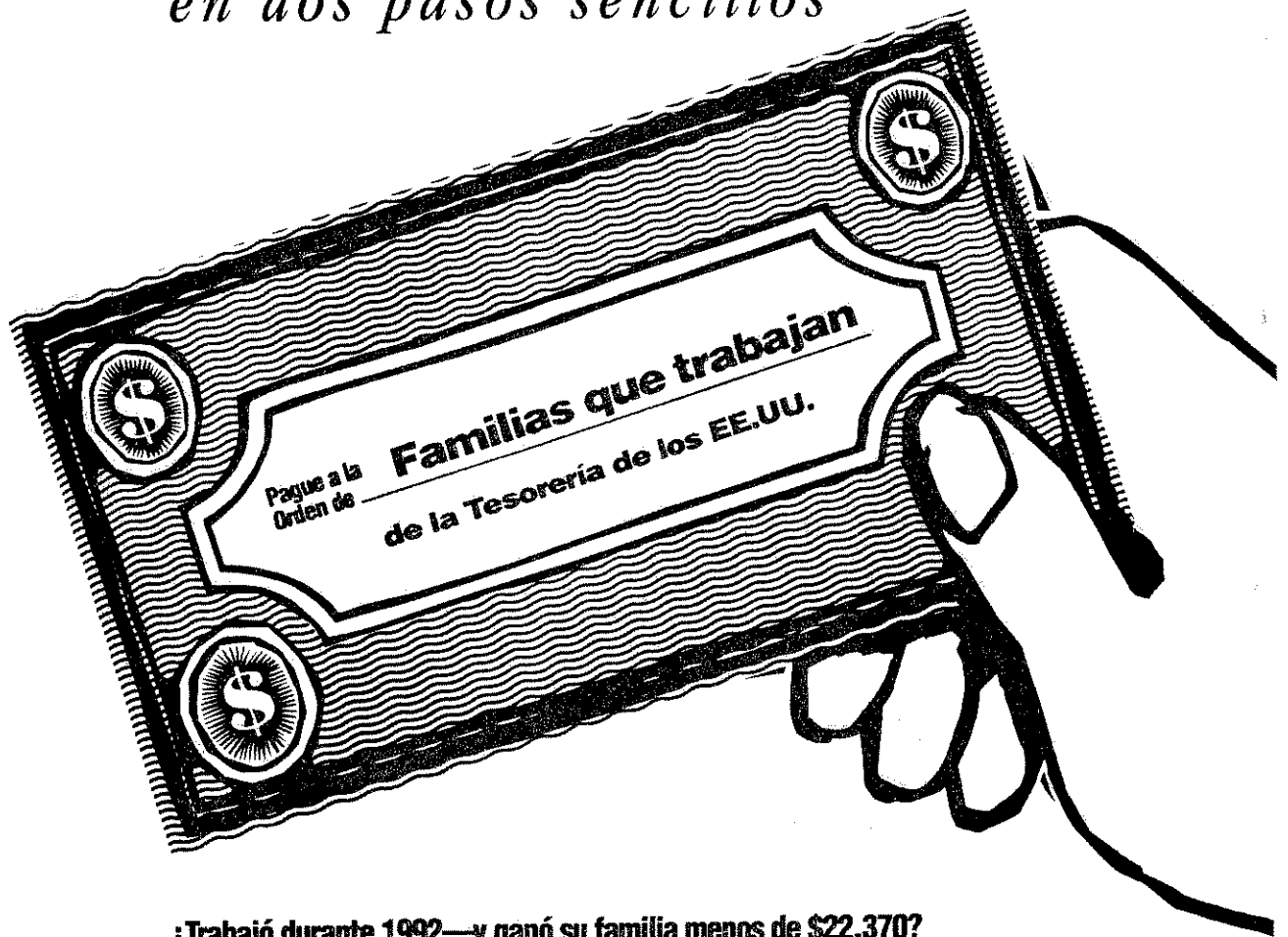
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For more information, call the IRS toll free at 1-800-829-1040.

**THE 1993
EARNED
INCOME
CREDIT
CAMPAIGN**

Obtenga hasta \$2,211

en dos pasos sencillos



¿Trabajó durante 1992—y ganó su familia menos de \$22,370?

¿Tiene un hijo que vivió con Ud. por lo menos medio año?

Si fue así, puede tener derecho hasta \$2,211 del Crédito por Ingreso de Trabajo (*Earned Income Credit* o Crédito EIC). Es un beneficio federal para padres casados y solteros.

Para obtener el Crédito por Ingreso de Trabajo solamente tiene que seguir dos pasos sencillos:

- 1** llene la planilla de declaración de impuestos federales (el formulario 1040A o 1040)
- 2** llene el formulario EIC (Schedule EIC) y adjúntelo a su declaración de impuestos

Si Ud. tiene derecho a este Crédito, deberá menos impuestos—¡o el gobierno le enviará un cheque! Puede obtener el Crédito por Ingreso de Trabajo aunque no deba impuestos de renta.

Para más información, llame gratuitamente al Servicio de Recaudación de Impuestos (IRS) al teléfono 1-800-829-1040.

1993 CAMPAÑA
PARA EL CREDITO
POR INGRESO
DE TRABAJO

EIC Envelope Stuffer

Below are two copies of an English-Spanish envelope stuffer on the EIC. These can be copied and inserted with paychecks, public assistance checks, bills, and other mailings. Local phone and utility companies, for example, might be persuaded to send copies with their January, February, or March 1993 bills to customers.

Instructions

The EIC envelope stuffer is easily reproduced on an office copier capable of two-sided copying. Just place this sheet in the copier and select "two-sided to two-sided" copies. When the copying is complete, cut the finished 8½ x 11 inch sheets twice, once to trim off these instructions and once between the two versions of the envelope stuffer. You now have your EIC stuffers, with English wording on one side and Spanish on the other. (Note: Making 10 copies produces 20 two-sided stuffers.) They will fit easily into standard business envelopes.

Get Up to \$2,211 in Two Simple Steps

**Did you work during 1992—and did your family earn less than \$22,370?
Did a child live with you for at least half the year?**

If so, you may be eligible for up to \$2,211 from the Earned Income Credit. It's a federal benefit for both married and single parents who worked either full or part time during part or all of the year.

How to Get Your Money

Getting your Earned Income Credit takes just two simple steps:

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If you're eligible, you'll either owe less in taxes—or the government will mail you a check! You can get the Earned Income Credit even if you don't owe income tax.

Does Earned Income Credit Reduce Other Government Benefits?

In almost all cases, no. Some families eligible for the EIC also receive benefits under other government programs, including AFDC, food stamps, SSI, Medicaid, and public or subsidized housing. Only in rare cases will the EIC lower benefits in these other programs.

For more information, call the IRS toll free at 1-800-829-1040. You can get tax forms from the IRS, or at your local Post Office and many banks and libraries.

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Cómo obtener su dinero

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¿Reduce el Crédito por Ingreso de Trabajo otros beneficios del gobierno?

En la mayoría de los casos, no. Algunas familias que tienen derecho a recibir el Crédito EIC también reciben beneficios bajo otros programas del gobierno, incluyendo AFDC (Ayuda para familias con niños menores), estampillas para alimentos, SSI, Medicaid, y vivienda pública o subvencionada. En muy raros casos puede ser que el Crédito EIC reduzca los beneficios de estos otros programas.

Para más información sobre el Crédito EIC, llame gratuitamente a la Oficina del IRS al 1-800-829-1040. Puede obtener las planillas gratuitamente del IRS, o de su oficina de correos local y de muchos bancos y bibliotecas públicas.

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For more information, call the IRS toll free at 1-800-829-1040. You can get tax forms from the IRS, or at your local Post Office and many banks and libraries.

Earned Income Credit Fact Sheet

Who is eligible?

The Earned Income Credit is a tax credit for working families that had income of less than \$22,370 in 1992 and at least one child living at home for more than half the year. The credit is available both to married and single parents. Even families that earn too little to owe federal income tax can be eligible for the EIC. More than 14 million families now qualify for this credit.

How much is the EIC worth?

- The *basic EIC* for families with one child is worth a maximum of \$1,324 in 1992. For families with more than one child, the basic EIC is worth up to \$1,384. The amount of the credit varies according to a family's income level. Most eligible families earning between \$6,000 and \$14,000 will qualify for at least \$1,000.
- In addition, two *extra EIC benefits* are available to certain families. First, families with a child born in 1992 can receive an extra benefit of up to \$376.
- Second, families that pay at least part of the premiums for a health insurance policy that includes coverage for a child may receive an extra credit of up to \$451.

Families that qualify for both the basic EIC and the extra credits can receive up to \$2,211 this year.

How does the EIC work?

The EIC is a "refundable" credit. This means that eligible working families can benefit from the credit *even if they owe no federal income tax*. Eligible families that owe no income tax receive a check from the Internal Revenue Service in the amount of their credit.

If a family does owe income tax, the EIC reduces the amount of taxes owed. If the family's credit is greater than the amount of taxes it owes, the family's tax bill will be reduced to zero and the IRS will send the family a check for the remainder of its EIC.

How can families receive the EIC?

Eligible families must do two things to receive the EIC. First, *they must file a federal income tax return*. They may use either Form 1040A or 1040. Second, *families also must file a tax form called "Schedule EIC" with their income tax return*.

Families may *not* use the 1040EZ form, sometimes known as the short form, to claim their EIC. In addition, married couples who file separate income tax returns cannot get the EIC; to receive the EIC, couples must file jointly.

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20002

TEL 202/408-1080
FAX 202/408-1056
HANDSNET #HN0026

There is one important step that can make filing for the EIC easier. Families can choose to fill out just the first side of "Schedule EIC." If they do, the IRS will calculate their EIC for them. This is significant, because many families find the second side of the form too complicated to fill out.

Eligible families have another option: they can receive the basic EIC throughout the year in their paychecks, rather than in one large check from the IRS. For more information on this option, see the sheet in this kit titled "Increasing Workers' Take-Home Pay: The EIC Advance Payment Option."

Eligible families also may file for retroactive EIC payments from the last three years — tax years 1989, 1990 and 1991 — if they have not already filed income tax returns for those years. In general, if the family did not owe federal income taxes, no penalty will be assessed for filing late.

How does the EIC affect public assistance benefits?

A family's EIC payments *do not count* as income in determining its eligibility or benefit levels for AFDC, Medicaid, food stamps, SSI, or public or subsidized housing.

Are families with a foster child eligible for the EIC?

Low-income working parents with a foster child may receive the EIC, even if the parents have no other children. If the parents have no other children at home, however, the foster child must reside with the family for the full year for the family to qualify for EIC payments.

Where can families get answers to questions about the EIC?

Families can obtain free help from IRS operators during regular weekday business hours by calling **1-800-829-1040**. Families also can listen to a recorded message on the EIC 24 hours a day by calling the IRS "teletax" service. To hear recorded "teletax" messages on the EIC, dial **1-800-829-4477**. Request topic **402** for the English message; for the Spanish message, press * on a touchtone phone, pause, then press **2**, and finally press **754**. The IRS phone number for hearing impaired persons who have access to TDD equipment is **1-800-829-4059**.

Families can have their tax forms filled out for free through VITA, or Volunteer Income Tax Assistance. VITA volunteers are trained by the IRS to provide free tax help to low-income families. From late January through April 15, VITA volunteers will be at sites in local areas throughout each state — such as shopping malls, community colleges, churches, and libraries. To find the location of the nearest VITA site, call the IRS toll-free number, **1-800-829-1040**.

Are immigrants eligible for the EIC? What about families in Puerto Rico and the U.S. territories?

Many immigrants can qualify for the EIC, as long as they meet all of the EIC eligibility requirements. For more information on immigrant eligibility for the EIC, see the section titled "Outreach to Immigrants" in the strategy guide in this kit.

Not all families living in Puerto Rico and the U.S. territories can receive the EIC. Local tax laws in each of these territories, and the relationship between each territory and the U.S., will be the determining factors. To find out whether they may be eligible for the U.S. Earned Income Credit, families in these areas should contact their local tax authority.

EIC Health Insurance Credit: Fact Sheet

Two extra EIC benefits are available to certain families eligible for the basic EIC.* One is a benefit for EIC families that pay part or all of the premiums for a health insurance policy that covers a child. This extra credit was established to help eligible families afford health insurance. The other is an extra credit for families with a child born in 1992. For more information on that benefit, see the fact sheet in this kit titled "Extra EIC for Families with a Child Born in 1992."

Who is eligible for the EIC health credit?

Families that qualify for the basic EIC are eligible for the extra health benefit if they pay at least part of the premiums for a health insurance policy that includes a child. The insurance policy can be a family policy that covers other family members as well.

Families that pay some or all of the premium costs for a health plan provided through an employer can qualify for this extra EIC benefit. So can families that purchase a health insurance policy on their own. To qualify, a family must pay some or all of the costs of the *premiums* for the health policy; payments of deductibles or other charges for health services do not count.

The new credit may encourage some families to broaden their health insurance coverage to include a child. For example, if an employed parent has a policy that covers only the parents, the new health insurance credit may help the family afford the additional coverage for a child.

If a family does not pay premiums for a health insurance policy covering a child but does pay premiums for a dental insurance policy covering a child, those premiums, in most instances, will qualify for the EIC health credit.

How much is the health credit worth?

A maximum of \$451 in 1992. The amount of the credit varies according to a family's income level. Most families that earned between \$7,000 and \$13,000 will be eligible to receive an EIC health benefit of at least \$400. A family's health insurance credit cannot exceed the total amount the family paid during the year for health insurance premiums.

Example: The Smiths paid \$600 in premiums in 1992 for a health insurance policy that covers both them and their young son. Because the Smiths had total income of \$16,500 and are eligible for the basic EIC, they may claim an EIC health insurance credit. Their health insurance credit will be \$255.

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*Working families qualify for the basic EIC if they had income below \$22,370 in 1992 and had a child living with them more than half the year.

How does the health insurance credit relate to the basic EIC?

Families that are eligible for the basic EIC and that paid premiums for a health insurance policy that covers a child may claim both the basic EIC and the extra EIC health insurance credit.

How can families receive the health insurance credit?

Eligible families file for the EIC health insurance credit the same way they file for the basic EIC. Families file a federal income tax return (Form 1040A or 1040) and attach a tax form called "Schedule EIC." Schedule EIC asks for the total amount in premiums a family paid during 1992 for a health insurance policy that covered a child. This information determines whether a family qualifies for the health insurance credit and, if so, for how much.

Many families with employer-provided health plans may not know how much they paid in premiums during the year. In most cases, workers can ask for this information from the payroll manager at their worksite. Most workers pay such premiums by having them deducted from their regular paychecks; the payroll department should have a record of these deductions.

How does receipt of the health credit affect a family's tax status?

For a tiny fraction of the families eligible for the EIC health insurance credit, there is one other tax issue to consider. Families receiving the EIC health insurance credit may not claim the same health insurance premiums as a deductible expense under the itemized medical deduction or under the medical deduction for the self-employed. This restriction, however, should not cause concern. Hardly any EIC families itemize deductions. And very few claim the medical deduction for the self-employed.

Those few families that do qualify for both the EIC health insurance credit and either the itemized medical deduction or the self-employed medical deduction can seek help from their local Volunteer Income Tax Assistance center in making their decisions. (For information on how to find the nearest VITA site, see the piece in this kit titled "Helping Families Get Free Tax Help.") *Whatever choices they make, however, such families remain eligible for the basic EIC.* And if they have a child who was born in 1992, they also remain eligible for the extra EIC benefit for families with a child in that age bracket.

Extra EIC for Families with a Child Born in 1992: Fact Sheet

Two extra EIC benefits are available to certain families eligible for the basic EIC.* One is a benefit for EIC families that have a child born during 1992. The other is an extra credit for families with certain health insurance costs. For more information on the health benefit, see the fact sheet in this kit titled "EIC Health Insurance Credit."

How much is this extra credit worth?

The extra EIC for families with a child born in 1992 is worth a maximum of \$376. The amount of the credit varies according to a family's income level. Most families that had a child born in 1992 and earned between \$6,000 and \$14,000 that year will qualify for an extra EIC benefit of at least \$300.

How can families receive this extra EIC benefit?

Eligible families file for the extra credit the same way they file for the basic EIC. Families file a federal income tax return (Form 1040A or 1040) and attach a tax form called "Schedule EIC."

Schedule EIC asks whether there are any children in the family who were born in 1992. Families who can answer yes to this question may claim both the basic EIC and the extra benefit for their newborn child.

What if a family is eligible for both the extra EIC credit and the "Child and Dependent Care Credit"?

The Child and Dependent Care Credit is a tax credit for working parents who pay child care expenses for a child under age 13. The credit can be used to lower a family's federal income tax bill. According to the federal tax code, a family that is eligible for the *basic* EIC and the *Child and Dependent Care Credit* can claim both. However, a family may *not* claim both the *extra* EIC credit for a child born in 1992 and the *Child and Dependent Care Credit* for the same child. Such families must choose between the two credits.

Unlike the EIC, the *Child and Dependent Care Credit* is *not* "refundable." This means that families that don't owe federal income tax cannot benefit from it. For such families, the choice is simple: take the extra EIC for a child born in 1992. Since a two-parent family of four doesn't owe federal income tax for 1992 unless its income exceeds \$15,200, the majority of EIC families with a child under age one won't need to claim the *Child and Dependent Care Credit*, anyway.

*Working families qualify for the basic EIC if they had income below \$22,370 in 1992 and had a child living with them more than half the year.

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For families that *do* owe federal income tax and are eligible for both the Child and Dependent Care Credit and the extra EIC for families with a child born during 1992, the decision may be more difficult. Such families can seek help from their local Volunteer Income Tax Assistance center in making the decision. (For information on how to find the nearest VITA site, see the piece in this kit titled "Helping Families Get Free Tax Help.")

Note that a family may claim the extra EIC credit for a child born in 1992 while still claiming the Child and Dependent Care Credit for an *older* child. To receive the Child and Dependent Care Credit, families must file Form 2 with their 1040A tax return (or Form 2441 with their 1040 tax return).

For more information on the Child and Dependent Care Credit, contact the National Women's Law Center at (202) 328-5160.