

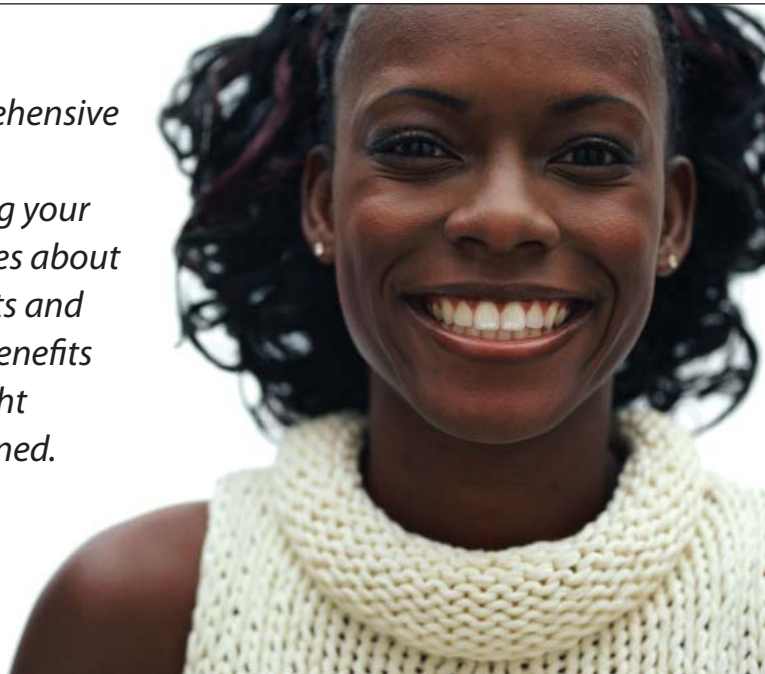


2011 **ETC** EMPLOYER TOOLKIT

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Employer Guide

*A comprehensive
guide to
educating your
employees about
tax credits and
federal benefits
they might
have earned.*



**Corporate
Voices**
for Working Families

Promoting Tax Credits & Federal Benefits

The Employer Guide is made possible through the generous support of the Annie E. Casey and Ford Foundations

CREDIT
INCREASED FOR
2011 TAX YEAR

Speaking out for working families

The Employer Guide is brought to you by Corporate Voices for Working Families. Corporate Voices for Working Families is the leading national business membership organization shaping conversations and collaborations on public and corporate policy issues involving working families. A nonprofit, nonpartisan organization, we create and advance innovative policy solutions that reflect a commonality of interests among the private sector both global and domestic, government and other stakeholders.

We are a unique voice, and we provide leading and best-practice employers a forum to improve the lives of working families, while strengthening our nation's economy and enhancing the vitality of our communities.

For more information, visit www.corporatevoices.org

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**Corporate
Voices**
for Working Families



ELIGIBILITY REQUIREMENTS



Employees who meet the following criteria are eligible to receive up to \$5,751 from the Earned Income Tax Credit

Some of your employees may be eligible to receive the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), State Children's Health Insurance (SCHIP), SNAP/Food Stamps, and the Low Income Home Energy Assistance Program (LIHEAP). These tax credits and federal benefits are based on income eligibility.

Educating your employees about the Earned Income Tax Credit (EITC), Child Tax Credit, SCHIP, SNAP/Food Stamps, and LIHEAP enables you to

- Build trust with employees by making them aware of these valuable resources.
- Give your employees the ability to supplement their incomes.
- Take ownership of the promotion of these tax credits and federal benefits within your own business.

Talk about these tax credits and benefits in staff meetings, post educational materials in the workplace, and make yourself available for employee questions. The information in this handy reference guide will help you educate your employees and show them how to keep more of what they earn.



Who is eligible? How much can they receive?

Employees who meet the following criteria are eligible to receive the Earned Income Tax Credit:

- Earned income and adjusted gross income (AGI) must each be less than
 - \$43,998 (\$49,078 married filing jointly) with three or more qualifying children
 - \$40,964 (\$46,044 married filing jointly) with two qualifying children
 - \$36,052 (\$41,132 married filing jointly) with one qualifying child
 - \$13,660 (\$18,740 married filing jointly) with no qualifying children
- Investment income must be \$3,150 or less for the year.
- If married, couples must file jointly.
- Must have a valid Social Security number.
- All qualifying children must have a valid Social Security number.
- Cannot be a qualifying child of another person.
- Cannot file Form 2555 (Foreign Income Exclusion) or 2555-E2.
- Must be a U.S. citizen or resident alien.
- If he or she does not have a qualifying child, he or she must
 - be at least age 25,
 - live in the United States for more than half the year, and
 - not qualify as a dependent of another person.

In addition to the EITC, the Child Tax Credit is for employees who have a taxable income above \$3000 and a qualifying child. A qualifying child must be all of the following:

- Claimed as a dependent on tax filing forms
- Under age 17 at the end of the tax filing year
- Must be the employee's
 - Son, daughter, adopted child, stepchild, or a descendent of any of them (i.e., grandchild);
 - Brother, sister, stepbrother, stepsister, or a descendent of any of them (i.e., niece or nephew), that the employee has cared for as their own child; or
 - Foster child (or any child placed with the employee by an authorized placement agency, that the employee has cared for as they would their own child).
- A U.S. citizen or resident alien

TALKING TO YOUR EMPLOYEES



How to Talk to Your Employees About Tax Credits and Federal Benefits

Be prepared to answer these commonly asked questions:

WHAT IS THE EITC?

It's a tax credit for eligible working families that provides tax refunds of up to \$5,751. If you're eligible, you should apply for it when you file your federal taxes. Free electronic tax preparation assistance is available at Volunteer Income Tax Assistance (VITA) centers. More information can be found at www.irs.gov.

WHAT IS THE CHILD TAX CREDIT?

The Child Tax Credit is a nonrefundable credit that reduces the amount of taxes owed, based on the number of qualifying children per household. It may be as much as \$1,800 per qualifying child, depending upon family income.

WHAT ARE MEDICAID AND SCHIP?

Medicaid and the State Children's Health Insurance Program (SCHIP) are publicly funded health care coverage programs. Many children who are eligible for Medicaid or SCHIP are from working families, but their parents don't realize their children may be eligible.

I CAN'T AFFORD HEALTH CARE COVERAGE FOR MY FAMILY. IS HELP AVAILABLE?

Although eligibility varies, programs exist in every state and the District of Columbia. A family of four earning up to \$88,200 may qualify for SCHIP in some states. Some states cover children whose families have higher income. Medicaid and SCHIP coverage can include the following services at little or no cost:

- Doctor visits
- Hospitalizations
- Immunizations
- Prescriptions

For more information on SCHIP in their state, please direct employees to call **1-877-KIDS NOW (1-877-543-7669)** or log on to www.insurekidsnow.gov. The website gives state-specific income guidelines and connects to state program sites and applications, where available.

WHAT ARE SNAP/FOOD STAMPS?

The Food Stamps program (now called the Supplemental Nutrition Assistance Program—SNAP) was created to help low-income families and individuals purchase nutritious food. Food Stamps are not cash or coupons; they are available via a debit card. Most grocery stores accept Food Stamps benefits.

CAN I RECEIVE FOOD STAMPS BENEFITS EVEN THOUGH I WORK?

Yes, the SNAP/Food Stamps program considers total income and allows deductions for housing costs, child support, medical expenses, or child care costs. For more information about SNAP and locating a local SNAP office, please direct employees to call **1-800-221-5689** or log on to www.snap-step1.usda.gov/fns. The website will assist employees in determining eligibility and accessing SNAP/Food Stamps benefits.

WHAT IS THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM?

The Low Income Home Energy Assistance Program (LIHEAP) is a federal program that helps low-income households with their home energy bills. It helps families stay warm in the winter and cool in the summer. The LIHEAP program may be able to offer families one or more of the following:

- Bill payment assistance
- Energy crisis assistance
- Weatherization and energy-related home repairs

WHO IS ELIGIBLE TO RECEIVE LIHEAP ASSISTANCE?

LIHEAP applications, eligibility, assistance, and benefit levels vary among LIHEAP programs. The federal government does not send or take applications for LIHEAP assistance. Interested employees should contact the local state agency, Indian tribe/tribal organizations or community action organization for information on qualifying for LIHEAP assistance. Eligibility criteria might include passing an assets test; living in nonsubsidized housing; having a household member who is elderly, disabled or a young child; or receipt of a utility disconnection notice.

WHERE CAN I FIND OUT IF I QUALIFY FOR LIHEAP?

Please direct interested employees to call the toll-free number, **1-866-674-6327**, to determine if they qualify for LIHEAP assistance. Or employers might locate the local LIHEAP office at <http://liheap.ncat.org> for more information.

HOW CAN I TAKE ADVANTAGE OF VITA CENTERS?

Volunteer Income Tax Assistance (VITA) centers begin opening in February. Find out where VITA centers are located in your area by calling the IRS at **1-800-906-9887**. VITA centers provide your employees with free tax preparation assistance, as well as information about state-level EITC programs that may be available. Some VITA locations offer information on accessing federal benefits like SCHIP and SNAP/Food Stamps.

WHAT SHOULD I KNOW ABOUT EITC CERTIFICATION?

The majority of filers do not need to be certified. VITA centers can assist filers who do need certification. To be certified, filers must fill out an additional form (IRS Form 8836: Qualifying Children Residency Statement) and provide proof that the claimed child has lived with the EITC filer for six months or more during the tax year.

IS THERE A WEBSITE THAT EMPLOYEES CAN VISIT TO DETERMINE THEIR ELIGIBILITY FOR FEDERALLY FUNDED PROGRAMS?

All employees, not just those with low incomes, can use www.govbenefits.gov to check their eligibility for government programs. They will need to complete a free, easy-to-use, and confidential questionnaire.



EMPLOYEE FINANCIAL STRESS MAY BE COSTING YOUR COMPANY

Tips and Tools on how to Stop It

The Problem

Personal financial stress is the top source of stress in the workplace, especially during difficult economic circumstances. Whether it's in reduced productivity, workplace accidents, increased health costs or higher turnover, chances are your employees' financial stress is costing your business every month.

The Solution

The good news is that there are tools and resources available to help your employees manage their financial stress. Company-sponsored financial education is fast becoming a best practice among industry leaders who want a productive and profitable workforce.

Educating Employees through Workshops and Ongoing Support:

To be most effective, employee financial education should be presented by unbiased, neutral professionals and should not require the purchase of any supplemental materials like books, tapes, videos or CDs. Workshops should be small and self-contained, allowing employees to play an active part in learning. Effective workshops should teach employees tools and techniques they can immediately begin using.

Workshops are just one tool you can use to educate employees on how to be financially savvy. The websites below offer information on how to provide financial education for your employees as well as online tools employees can use to begin stretching their paychecks and getting out of debt.

- **www.mymoney.gov**

MyMoney.gov is the U.S. government's website dedicated to teaching all Americans the basics about financial education. The site offers free resources tailored specifically for employers to learn about the benefits you can offer your employees and your responsibilities as an employer.

- **www.360financialliteracy.org/Tools**

360 Degrees of Financial Literacy is a *free* program of the nation's certified public accountants to help Americans understand their personal finances through every stage of life.

- **www.financialliteracymonth.com/ToolsForSuccess**

April is Financial Literacy Month, but Money Management International, a national nonprofit credit counseling agency, offers "Tools for Success," year-round materials that help educate your employees achieve financial wellness and reduce stress.



Did You Know?

The U.S. Census Bureau reports that more Americans are living in poverty today than at any time since 1960. 43% of children under age 18 are living in low-income families. Your employees and their families may be eligible for benefits that can help.



AVOIDING PREDATORY PRACTICES

Help Employees Receive Their Entire Refund

When your employees pay a tax-preparation company to get their refunds instantly, they end up paying for high-interest, short-term loans (up to 300 percent when annualized) with finance charges and preparation fees.

- Some check cashers, banks and tax preparers offer holiday loans in anticipation of the EITC refund.
- Other tax preparers offer tax refund debit cards, which especially appeal to the unbanked. Not all debit cards are created equal; some charge costly transaction fees that can significantly reduce tax refunds.

By visiting a Volunteer Income Tax Assistance (VITA) center and waiting just a few days longer for their returns, your employees will pay no additional charges for tax preparation and receive the full amount of their refunds. Plus, some VITA centers offer information on federal benefits and assistance in opening a bank account.

Call **1-800-906-9887** to find the location of a VITA center in your area and talk to your employees about going there.



TAX CREDITS & FEDERAL BENEFITS CALENDAR

Dates to Remember

DECEMBER/JANUARY

Include tax credits and benefits education materials in paychecks and when distributing W-2 forms. Begin educating employees about EITC and CTC through staff meetings and posted materials.

FEBRUARY

The peak number of tax refund claims are filed this month, and VITA centers begin opening.

MARCH

Make your final informative push before tax deadlines! Promote tax credits/federal benefits, advertise VITA center locations, and sign up new Advance EITC filers.

ONGOING

Include information about tax credits and federal benefits in all new-employee orientation packets. Employees must reapply for Advance EITC each calendar year. You can distribute W-5 forms to interested employees and remain available for employee questions year-round.



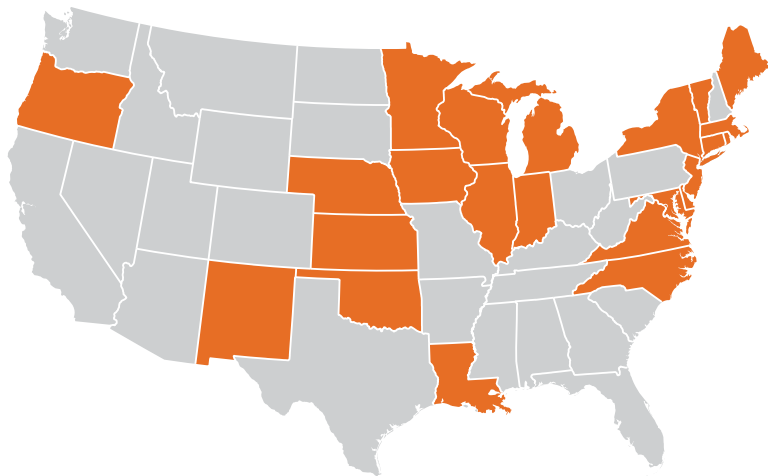
WHAT MORE CAN EMPLOYERS DO?



1

PROMOTE

the State EITC. Twenty-three states and the District of Columbia offer a State EITC:



- | | | | |
|-------------------|---------------|----------------|--------------|
| Connecticut | Kansas | Minnesota | Oklahoma |
| Delaware | Louisiana | Nebraska | Oregon |
| Dist. of Columbia | Maine | New Jersey | Rhode Island |
| Illinois | Maryland | New Mexico | Vermont |
| Indiana | Massachusetts | New York | Virginia |
| Iowa | Michigan | North Carolina | Wisconsin |

Of these, 22 make the tax credit refundable.

2

HELP

your employees access the convenience and advantages of having a bank account.

3

INFORM

your employees that the Earned Income Tax Credit and Child Tax Credit might serve as the beginning of a down payment on a home. Encourage employees to contact their mortgage lender for additional information on down payment assistance programs.



FOR OLDER WORKERS



Public Benefits Can Help 50+ Employees

A number of federal and state programs are designed to help older Americans. Your 50-plus-year-old employees may be eligible for these low- and no-cost programs.

The AARP Foundation has set up an online resource – AARP Benefits QuickLINK – to help older Americans navigate public benefits options. See www.aarp.org/quicklink for details about the federal and state programs your employees may be eligible for and to print out applications for programs in your state.

Save Money on Health Care & Prescription Drugs

Medicare

BENEFIT: Health insurance that helps pay for preventative care, doctor visits, hospital stays and prescription drugs.

WHO CAN APPLY: People who are 65 and older, and younger people with disabilities or kidney failure.

HOW TO APPLY: Call **1-800-772-1213** to find your local Social Security office, or click on the Medicare section of www.socialsecurity.gov. For information about the Medicare prescription drug coverage, call **1-800-MEDICARE** or visit www.medicare.gov. Each state offers additional assistance – see www.medicare.org/index.php/home-mainmenu-1/travel-mainmenu-32 for details.

Medicare Savings Program

BENEFIT: Pays for some of the costs of Medicare, including the Part B Premium, deductibles and co-payments. Benefits depend on income and assets.

WHO CAN APPLY: People who get Medicare and earn around \$1,239/month for one person or \$1,660/month for a married couple. These rules are different in different states. Use Benefits QuickLINK to see if you might qualify.

HOW TO APPLY: Applications are available at local state social service agencies and at www.aarp.org/quicklink. Go to: Apply for Prescription Drug Benefits Programs tab and click on Application Forms Center.

Medicare Rx Extra Help

BENEFIT: Pays for the monthly fee and deductible for Medicare prescription drug coverage, and lowers prescription drug co-payments.

WHO CAN APPLY: People who get Medicare and have combined savings, investments and real estate (other than your house) that are not worth more than \$12,640 if single or \$25,260 if married, living with your spouse, and have a limited income.

HOW TO APPLY: Call the Social Security Administration at **1-800-772-1213** to ask for a Medicare Rx Extra Help Application. Your state may offer additional resources.



Medicaid

BENEFIT: Provides medical coverage for a range of medical care and procedures.

WHO CAN APPLY: People who are 65 or older, blind or have disabilities, with limited income, few resources, or in some cases, high medical bills. To qualify, you must meet Medicaid income and asset limits, which vary depending on the size of your family and where you live.

HOW TO APPLY: See www.aarp.org/quicklink for how to apply in your state.

Other Programs

Your state may also provide assistance across a range of areas. See www.aarp.org/quicklink for details and links to the programs in your state. The programs may include:

- State Property Tax Assistance
- Low Income Home Energy Assistance Program
- Telephone Assistance
- Food Assistance – SNAP/Food Stamps
- Cash Assistance – Social Security and Supplemental Security Income



Quick Info

Vita Center Locations

1-800-906-9887

IRS Website

www.irs.gov

Eligibility For Government Programs

www.govbenefits.gov

LIHEAP ASSISTANCE

1-866-674-6327

<http://liheap.ncat.org>

Food Stamps Information

1-800-221-5689

www.snap-step1.usda.gov/fns

SCHIP Information

1-877-KIDS NOW (1-877-543-7669)

www.insurekidsnow.gov

AARP Benefits Quicklink

www.aarp.org/quicklink

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