

Question: What do CWICS need to know about the Earned Income Tax Credit?

The Earned Income Tax Credit (EITC) can be a powerful work incentive for certain beneficiaries of SSA disability programs who choose to work. CWICs need to be informed about this work incentive and be prepared to educate beneficiaries.

What is the EITC?

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low to moderate income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes and to provide an incentive to work. When EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit. The annual income limits vary according to family size and marital status of the head of household. To qualify, taxpayers must meet certain requirements and file a tax return, even if they do not have a filing requirement. To learn more, visit the EITC home page at: <http://www.irs.gov/individuals/article/0,,id=96406,00.html>

Note: Advance EITC Legislation signed into law August 10, 2010 repeals the Advanced Earned Income Tax Credit. Recipients will not receive Advance EITC on their paychecks after December 31, 2010. Those who received AEITC on their paychecks during 2010 need to file a tax return to report the amount received.

Does the EITC affect SSA disability and other publicly-funded benefits?

The EITC is a tax credit, as opposed to earned income. Therefore, it does not affect any title 2 disability benefits (SSDI, CDB, DWB).

- Any EITC refund or advance EITC payments will not be considered income when determining eligibility and amount of assistance for the following benefit programs:
 - Medicaid and Supplemental Security Income (SSI).
 - Supplemental Nutrition Assistance Program (food stamps).
 - Low-income housing.
- Temporary assistance for needy families (TANF) benefits may be affected. Please check with your state.
- If the amounts received from the EITC are not spent within 9 months, they may count as an asset (or resource) and affect eligibility for SSI and Medicaid (See POMS SI 00820.570 and SI 01130.675).

What Role does the CWIC have in relation to the EITC?

Specifically, the role of the CWIC includes:

- Informing beneficiaries about the EITC
- Help beneficiaries assess whether they might be eligible
 - **WARNING:** CWICs are not trained to be accountants! Provide only general information. Be prepared to refer to an appropriate professional when specific questions arise!
- Helping beneficiaries understand how receipt of EITC does or does not impact benefits
- Referring them to volunteer or paid tax professionals for assistance in requesting the EITC
- Reminding beneficiaries to report receipt of the EITC to relevant agencies

What are some resources that CWICs can give beneficiaries regarding the EITC and getting help with their taxes?

The IRS has some excellent resources in the form of publications and websites for the EITC. In addition, there is a Volunteer Income Tax Assistance Program (VITA) in every state to assist with tax preparation. Here are some resources to use with beneficiaries:

- Volunteer Income Tax Assistance (VITA) program: <http://www.irs.gov/individuals/article/0,,id=107626,00.html>
- IRS Publication 596 - Earned Income Tax Credit: <http://www.irs.gov/pub/irs-pdf/p596.pdf>
- Use the EITC Assistant to estimate eligibility and estimated amount of credit: <http://www.irs.gov/individuals/article/0,,id=130102,00.html>
- IRS Publication 907 – Tax Highlights for People with Disabilities: <http://www.irs.gov/pub/irs-pdf/p907.pdf>
- 7 Tax Tips: <http://www.irs.gov/newsroom/article/0,,id=204070,00.html>