



DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

January 28, 2011

Dear Colleague:

We are pleased to remind you of an excellent opportunity for State and local Temporary Assistance for Needy Families (TANF) agencies to partner with local Volunteer Income Tax Assistance (VITA) sites to help American Recovery and Reinvestment Act of 2009 (ARRA) subsidized employment workers receive additional resources.

As you know, ARRA established the Emergency Contingency Fund for State TANF Programs. It provided up to \$5 billion to help States, Territories, and Tribes in fiscal year (FY) 2009 and FY 2010 that had an increase in assistance caseloads or in certain types of expenditures, such as short-term non-recurring benefits or subsidized employment.

During FYs 2009 and 2010, States and Tribal TANF agencies received \$1.3 billion dollars for subsidized employment programs. ARRA subsidized employment programs were highly successful because they were able to secure jobs for traditionally harder to serve populations including non-custodial fathers. Also, many participants in these subsidized employment programs were able to transition to unsubsidized employment.

The vast majority of these employees may be eligible for the Earned Income Tax Credit (EITC). We encourage you to contact workers from these subsidized employment programs and urge them to consider a local VITA site for their tax preparation and to apply for the EITC. There are many benefits to the employee and the community if the ARRA subsidized employment worker chooses a VITA site for tax services.

One benefit is that Section 728 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312) was passed in December 2010. Under the new law:

- The total amount of a refund received after December 31, 2009 – regardless of whether the refund is the result of a refundable credit, over-withholding, or both – is disregarded as income and resources for purposes of determining eligibility for benefits or assistance in all federal programs or any state or local program financed in whole or in part by federal dollars.
- The resource exclusion lasts for 12 months from the date of receipt of the refund.

The EITC is the number one social service program to assist families in overcoming poverty. The highest EITC refund is \$5,666. If 3,000 people in your community filed their taxes and received an EITC refund of \$5,666, your community could benefit by

having as much as \$16,998,000 dollars reinvested in local businesses, family savings accounts, and other economic growth opportunities. Further, this year VITA sites will have the ability to download tax returns to VISA cards for those who choose.

Timing is critical. The Internal Revenue Service anticipates that commercial tax preparers will begin preparing tax returns and offering rapid anticipation loans in early January, even before W-2s are sent. We encourage you to develop a strategy to contact the employees from the subsidized employment programs, and perhaps their employers, to disseminate this important information.

Please see the link to State EITC coalitions <http://www.cbpp.org/eitc-partnership/state-links.htm>. The State links have descriptions of local EITC coalitions that provide outreach and free tax preparation. These are coalitions in existence as of August 2010 and the list will be updated semi-annually.

If you have any questions, please contact Lisa Washington-Thomas at 202-401-5141 for more assistance.

Sincerely

A handwritten signature in black ink, appearing to read "Earl S. Johnson", with a stylized flourish at the end.

Earl S. Johnson
Director
Office of Family Assistance