



# **Volunteer Tax Return Preparation Alternatives and Tax Credits**

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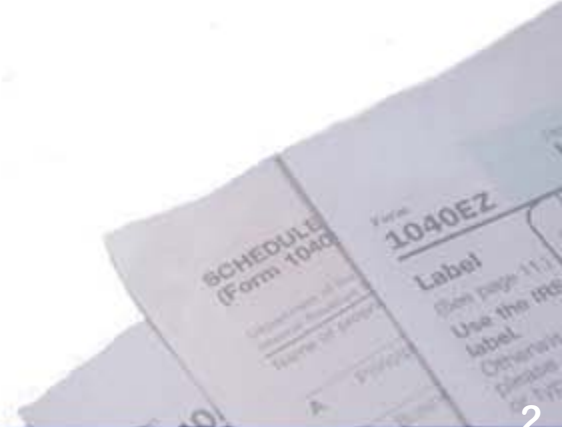
Stakeholder Partnerships, Education and Communication (SPEC)

Internal Revenue Service

# What is Earned Income Tax Credit (EITC)?

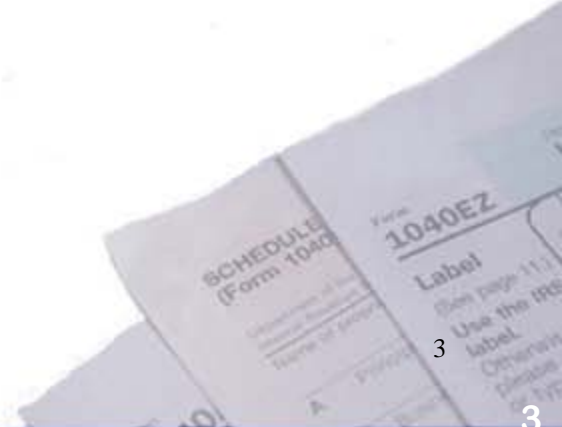
A federal tax benefit to help low and moderate income workers increase their financial stability.

- Largest Federal anti-poverty program
- Reduces taxes for workers
- Supplements wages
- Encourages individuals to work
- Fully refundable credit



# Who Might Miss Out on the EITC?

- Workers not required to file returns -- In 2011:**
  - **\$19,000 for a married couple**
  - **\$12,200 for head of household**
  - **\$9,500 for a single filer**
  
- Welfare recipients entering the workforce**
  
- Family members with disabilities**
  
- Workers becoming eligible due to reduced earnings, or loss of employment**
  
- Newly divorced or separated custodial parents**
  
- New parents**
  - **Foster**
  - **Adoptive**



# Why is Outreach Needed?

## *EITC Eligible Workers*



75 – 80% Claim  
EITC

20 - 25% Do Not  
Claim EITC

SCHEDULE  
(Form 1040)

Form  
1040EZ  
Label  
Use the tree  
label.

# EITC Central—www.eitc.irs.gov

Life's a little easier with  **eitc**  
earned income tax credit

EITC CENTRAL

TAX PREPARER TOOLKIT

PARTNER TOOLKIT

MARKETING EXPRESS

Welcome

What's Hot

About EITC

Tax Year 2010 and Preview  
Tax Year 2011

EITC Information for Press

Child Related Tax Benefits  
Comparison

News Releases, PSAs,  
Audio Files, Videos and  
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Publications and Products

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Technical Information

## Welcome to EITC Central: Everything you need, all in one place.

We created this new and improved site for our valued IRS partners and tax preparers. You can ensure all EITC eligible workers receive the credit they earned and deserve by using the latest tools for marketing, education and tax return preparation.

IRS's goals for EITC are to increase participation while reducing error. The resources in this kit help balance the goals, assisting you in reaching those eligible workers who qualify for the credit and preparing accurate returns which reduces claims made in error.

We welcome [comments and suggestions](#) to better meet your needs in improving this site.

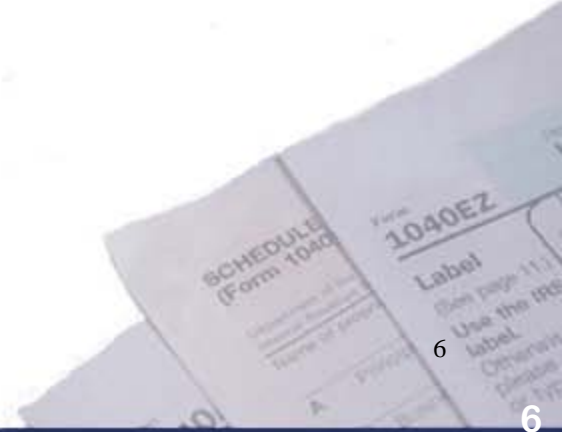


We thank you for your efforts in serving taxpayers well.



# Families Who Can Claim the EITC & CTC

- Married and unmarried parents
  - Step-parents
- Grandparents, great-grandparents
  - Grandparent with child and grandchild
- Aunt or uncle
- Older brother or sister
  - Step-brother or step-sister
  - Half-brother or half-sister
- Foster and adoptive parents\*



# How Much Can Workers Earn and Qualify for the EITC?

## *For Work in 2011:*

| Number of children: | Earned Income less than: | EITC up to: |
|---------------------|--------------------------|-------------|
| 3 or more children  | \$43,998                 | \$5,751     |
| 2 children          | \$40,964                 | \$5,112     |
| 1 child             | \$36,052                 | \$3,094     |
| No children         | \$13,660                 | \$464       |

- **Income limits for married workers are \$5,080 higher than these amounts.**
- Investment income cannot exceed \$3,150.

# How Much Can Workers Earn and Qualify for the CTC?

**Workers who earned *more than* \$3,000 in 2011 can receive a CTC refund.**

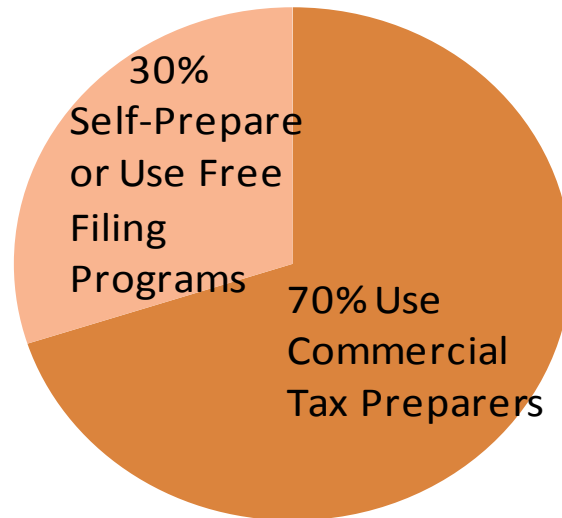
| Modified Adjusted Gross Income less than: | Filing status:              |
|---|-----------------------------|
| \$110,000                                 | Married Filing Joint        |
| \$75,000                                  | Single or Head of Household |
| \$55,000                                  | Married filing separately   |

The CTC is worth *up to* \$1,000 for each qualifying child.

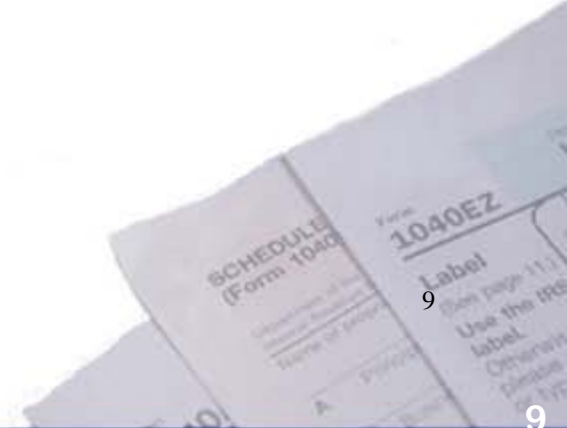


# The High Cost of Commercial Tax Preparation

- ❑ When it is time to file a tax return, many workers seek help from a commercial tax preparer.
- ❑ Average fees range from \$85 - \$120 for e-filing.



**EITC Claimants**



# Options for Free Tax Return Preparation

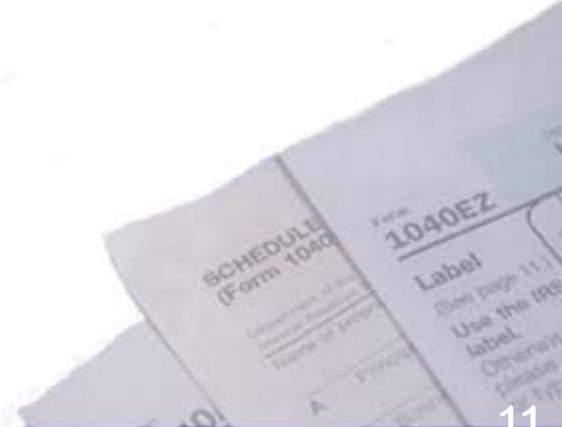
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- **Traditional Volunteer Site**
- **Virtual VITA/TCE**
- **FAST (Free Assisted Self Service Tax Preparation)**



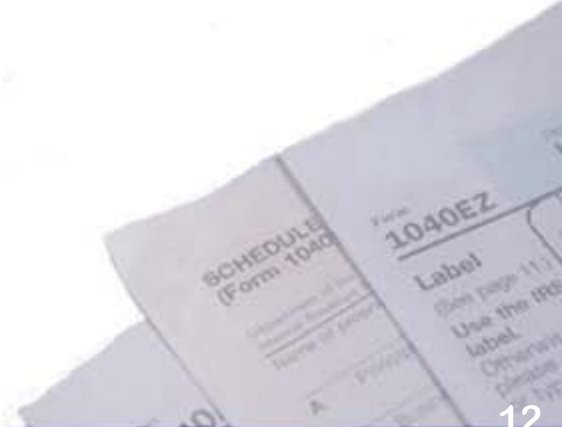
# What are barriers to access traditional VITA/TCE sites?

- Taxpayer and partners are located in remote rural areas
- Lack of certified volunteers
- Taxpayers with Disabilities
- Transportation barriers
- Language barriers
- Hours of Availability



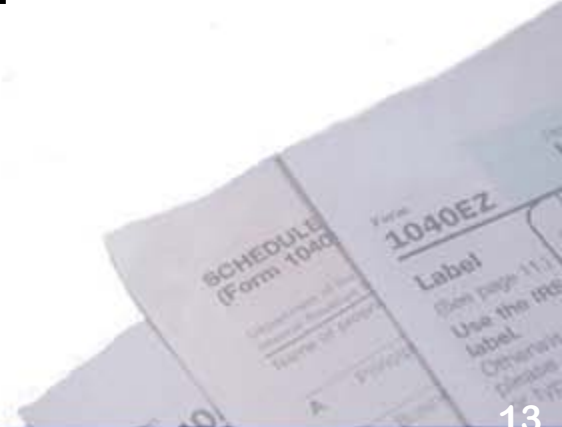
# Virtual VITA/TCE Sites

- Challenges that prevent site from becoming operational:
  - Lack of sufficient certified volunteers
  - Lack of computer, equipment and/or space
- DVD is available with specific examples
- Two Components:
  - Intake Site
  - Preparation Site



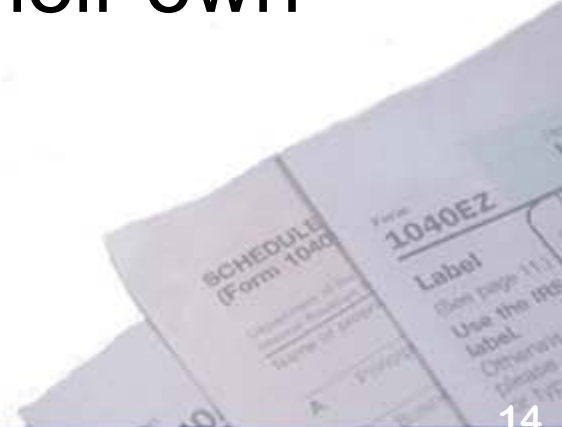
# FAST (Free Assisted Self Service Tax Preparation)

- In coordination with the Free File Alliance:
  - H&R Block
  - Turbo Tax
  - Tax Slayer
- Site is provided specific url for each of these providers to load on computer



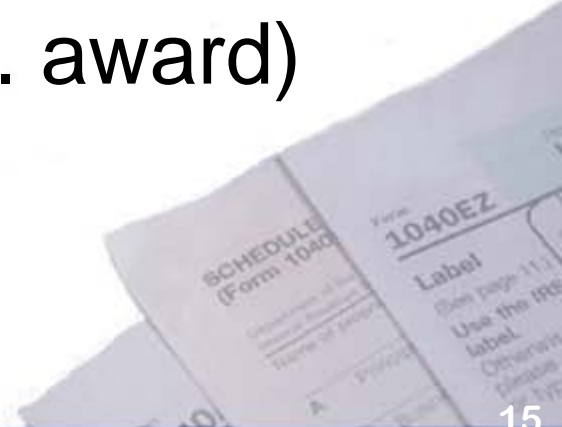
# Benefits

- Reduce lines at peak times at VITA/TCE sites
- Increase options for taxpayers
- Sites get credit for returns prepared
- Taxpayers may need a little help initially, but build confidence to file on their own next year.



# Sample Student Benefit

- Single Parent, one child, \$18K income and pays tuition and fees:
- \$2,790 Refundable EITC
- \$1,000 Refundable Education Credit
- \$3,790 Total Refund
  
- \$3,770 Federal Pell Grant (avg. award)
- \$7,560 Total Benefit



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