

Extra* EITC Dollars Received in Fiscal Year 1996 if Clinton Proposal is Enacted, by State

(estimated; in millions)

Alabama	\$205.4
Alaska	8.4
Arizona	131.4
Arkansas	106.5
California	1,102.3
Colorado	84.6
Connecticut	37.3
Delaware	18.0
D.C.	25.8
Florida	464.7
Georgia	282.2
Hawaii	18.4
Idaho	31.1
Illinois	295.4
Indiana	144.8
Iowa	56.8
Kansas	56.5
Kentucky	118.6
Louisiana	206.9
Maine	28.2
Maryland	117.3
Massachusetts	84.3
Michigan	182.8
Minnesota	73.2
Mississippi	168.9
Missouri	146.6
Montana	23.2
Nebraska	38.0
Nevada	37.1
New Hampshire	19.1
New Jersey	168.5
New Mexico	67.4
New York	431.8
North Carolina	274.5
North Dakota	14.2
Ohio	244.1
Oklahoma	106.6
Oregon	70.9
Pennsylvania	240.7
Rhode Island	18.1
South Carolina	164.3
South Dakota	19.3
Tennessee	197.3
Texas	752.5
Utah	40.5
Vermont	11.8
Virginia	169.5
Washington	99.2
West Virginia	51.6
Wisconsin	93.3
Wyoming	11.7
U.S. Total	\$7,571.0

* The figures shown above reflect the extra EITC dollars *over and above* what these families would receive in fiscal year 1996 under current law. Preliminary estimates from the congressional Joint Committee on Taxation show the Clinton EITC proposal would increase EITC benefits by \$7.571 billion in fiscal year 1996. Each state's estimated share of these new benefits is based on its percentage share of all EITC benefit dollars awarded in tax year 1991. Calculations by the Center on Budget and Policy Priorities.

EITC Beneficiaries in Tax Year 1991, by State

Below are state-by-state IRS data on the number of families receiving the EITC — and the number of dollars received — for tax year 1991. Some 13.9 million families obtained EITC benefits totalling \$11.4 billion.

<u>State</u>	<u>Families Getting EITC</u>	<u>Amount</u> (in millions)
Alabama	346,245	\$309.7
Alaska	18,744	12.6
Arizona	236,391	198.2
Arkansas	187,366	160.5
California	1,984,079	1,662.3
Colorado	158,745	127.6
Connecticut	77,959	56.3
Delaware	33,314	27.2
D.C.	48,346	38.8
Florida	827,282	700.9
Georgia	496,334	425.6
Hawaii	38,114	27.8
Idaho	57,275	46.8
Illinois	553,817	445.5
Indiana	269,274	218.3
Iowa	109,610	85.7
Kansas	108,475	85.1
Kentucky	218,603	178.8
Louisiana	360,846	312.1
Maine	56,178	42.6
Maryland	223,119	176.9
Massachusetts	170,457	127.1
Michigan	362,507	275.7
Minnesota	143,510	110.4
Mississippi	283,324	254.8
Missouri	272,535	221.0
Montana	43,994	34.9
Nebraska	71,559	57.3
Nevada	69,856	55.9
New Hampshire	37,686	28.8
New Jersey	324,203	254.1
New Mexico	123,677	101.6
New York	822,903	651.2
North Carolina	484,961	414.0
North Dakota	26,783	21.4
Ohio	470,956	368.1
Oklahoma	197,336	160.8
Oregon	134,272	106.9
Pennsylvania	471,291	362.9
Rhode Island	35,240	27.2
South Carolina	283,589	247.8
South Dakota	36,050	29.2
Tennessee	354,868	297.5
Texas	1,331,689	1,134.8
Utah	75,228	61.0
Vermont	23,736	17.9
Virginia	307,014	255.6
Washington	194,052	149.7
West Virginia	97,015	77.8
Wisconsin	178,635	140.7
Wyoming	22,211	17.6
Total	13,882,124	\$11,417.4



CENTER ON BUDGET AND POLICY PRIORITIES

Proposed EITC Expansion Would be of Disproportionate Benefit to Minorities

President Clinton's proposal to expand the Earned Income Tax Credit would benefit working households of every race and national origin. But the expansion would be of disproportionate benefit to African-Americans and Hispanics, who are more likely to qualify for the EITC than are non-Hispanic whites.

African-American and Hispanic workers are much more likely to earn low wages — and to be poor — than other workers are. In 1991, five percent of non-Hispanic white workers were poor while 14.5 percent of black workers and 15.4 percent of Hispanic workers lived in poverty. The trend remains essentially the same regardless of the amount of time spent working; i.e., whether full-time or part-time worker are examined.

Since the EITC is designed to assist low-income households with workers, it is especially beneficial to minorities. *Two of every five minority working families with children are eligible the EITC.*

- Tabulations of unpublished Census data indicate that approximately 42 percent of all black working families with children had incomes low enough to qualify for the EITC in 1987. A similar proportion of Hispanic working families — 38 percent — had incomes low enough to qualify. (More recent data by race and ethnic origin are not available.)
- By contrast, 17 percent of non-Hispanic white working families with children had incomes low enough to qualify for the EITC in 1987.
- In short, *black and Hispanic working families with children are more than twice as likely as their non-Hispanic white counterparts to have incomes low enough to qualify for the EITC.*

The above data indicate that the large EITC expansion proposed by President Clinton would be extremely beneficial to minorities. A substantial and disproportionate share of minority households would receive additional EITC benefits. It also bears mentioning that the Clinton proposal raises EITC benefits the most for families with two or more children; since poor minority working families with children tend to have more children than poor non-Hispanic white families do, this is another reason why the Clinton EITC expansion would be especially beneficial to black and Hispanic working families.

Claims of the Working Poor

PRESIDENT Clinton has proposed an expansion of the Earned Income Tax Credit. Congress should approve it.

About 6 million Americans who live in families with at least one full-time worker fall below the poverty line. The EITC is targeted to households that include at least one full-time worker. For poor families that earn enough to pay federal income taxes, the credit offsets some or all of the taxes the family might otherwise owe, so the government won't be taxing people further into poverty. For the working poor whose incomes fall so low that they don't pay taxes, the credit amounts to a direct cash payment—a kind of wage subsidy. Nearly 14 million families now receive some benefits under the credit, which tapers off as incomes go up.

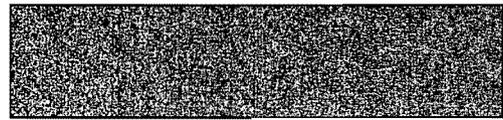
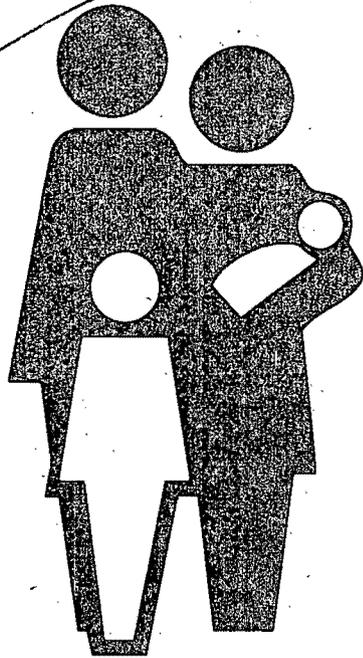
Mr. Clinton's goal is ambitious: to make sure that in households with children where at least one person works full-time, the family won't fall below the poverty line. Under current law, the maximum EITC benefit for a family with two or more children was scheduled to rise to \$2,000 next year; Mr. Clinton would boost the maximum to \$3,370 by 1995. He would also raise the benefits for families with one child and establish a small new credit for workers without children. The changes would cost an additional \$7.6 billion by 1996, bringing EITC costs to \$24.7 billion. On

top of this, Mr. Clinton would try to boost the earnings of the working poor by hiking the minimum wage.

Questions can be raised about even the best programs, and the EITC is no exception. There are worries that if too many families are eligible for the credit, it could distort both the labor market and the tax system. The Clinton administration adjusted its original plan to meet some of these objections. There are also worries that the credit could encourage some workers to earn enough to get the maximum help from the government—and no more. Friends of the EITC need to guard against unintended consequences, but in the form proposed by Mr. Clinton, the credit seems likely to do what it's designed to do: promote more work, not less.

The working poor do not have highly paid lobbyists and are not a notably vocal constituency. So members of Congress seeking money for their favorite programs might be tempted to take it out of the EITC increase and away from the working poor. They shouldn't. The EITC has received strong support across partisan and ideological lines because it reflects a broad consensus: Society should give a hand to the needy, and it should encourage and help those who work and support their families.

*Carol Rasco
Director
Domestic Policy Council*



EARNED

INCOME

CREDIT



*Department of the Treasury
Internal Revenue Service
Publication 1620 (11-91)
Catalog Number 13769E*

1993

ADVANCE EARNED
INCOME CREDIT

DROP-IN ADS

(SPANISH VERSION)



Department of the Treasury
Internal Revenue Service
Publication 1761-SP (10-93)
Catalog Number 18495V

Magazine 1/3 page square 4-5/8" x 4-7/8"

¿Un poco escaso de dinero entre las pagas?



En 1994, si usted gana menos de \$23,755 y tiene al menos un hijo que vive con usted en los Estados Unidos, quizás pueda tener derecho a reclamar una cantidad de dinero adicional en cada paga.

Pregunte a su empleador o patrono sobre el Crédito Adelantado por Ingreso del Trabajo o llame al IRS al número

1-800-829-1040.

 Department of the Treasury
Internal Revenue Service

Magazine 1/2 page horizontal 7" x 4-7/8"

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Newspaper 1 column
2-1/16" x 6-1/2"

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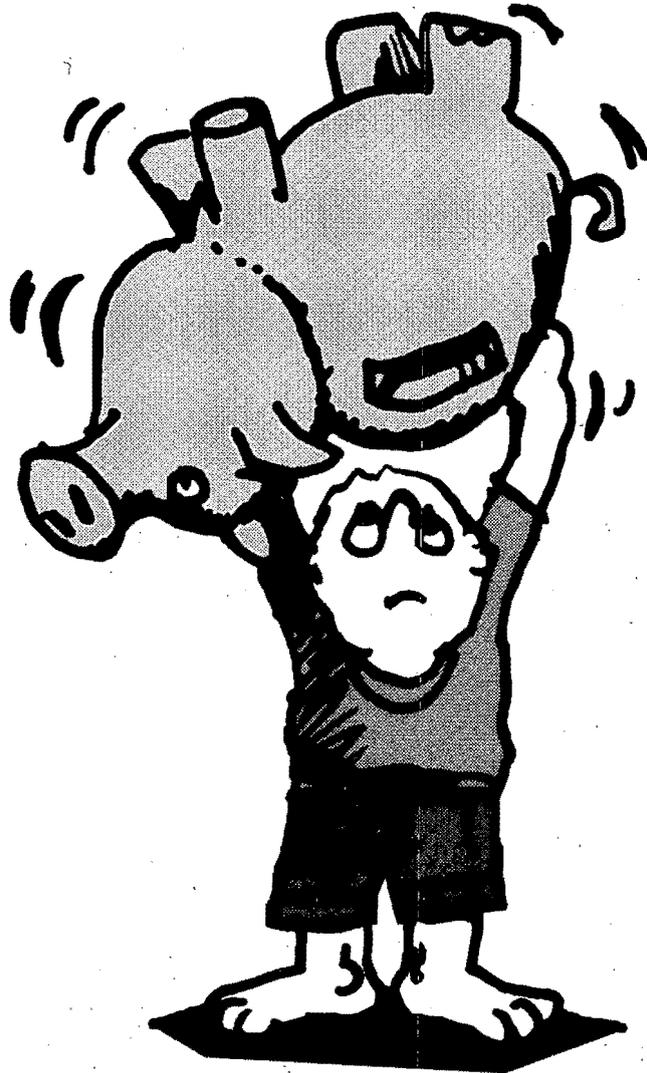
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A little short between paydays?



In 1994—If you will earn under \$23,755, and have at least one child living with you in the U.S., you may be eligible for extra money in each paycheck.

Ask your employer about the Advance Earned Income Credit, or call the IRS at

1-800-829-1040.

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Get Up To \$2,364

in two simple steps



Did you work during 1993—and did your family earn less than \$23,050?
Did a child live with you for at least half the year?

If so, you may be eligible for up to \$2,364 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:

- file a federal income tax return (Form 1040A or 1040, not Form 1040EZ)
- fill out "Schedule EIC" and attach it to your return

You can get the Earned Income Credit even if you don't owe taxes. For more information or to find out about getting tax forms filled out for free, call the IRS toll free at 1-800-829-1040.

THE 1994
EARNED
INCOME
CREDIT
CAMPAIGN

1993

ADVANCE EARNED

INCOME CREDIT

DROP-IN ADS

(ENGLISH VERSION)



Department of the Treasury
Internal Revenue Service
Publication 1761 (10-93)
Catalog Number 18488G

Magazine 1/3 page square 4-5/8" x 4-7/8"

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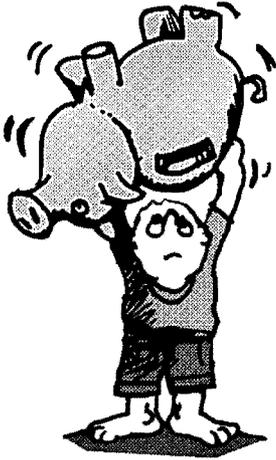
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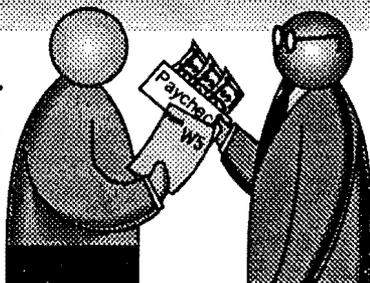
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Advance Earned Income Credit

If you will earn less than \$23,755 and have a child living with you in 1994, you may be eligible for extra money in your paychecks.

How to claim the Advance Earned Income Credit

**Give your
employer
a Form
W-5**



**and receive
extra money
in each
paycheck.**

Source: Internal Revenue Service

**For more information about the Advance
Earned Income Credit get a Form W-5
from your employer or by calling the IRS at**

1-800-829-3676

Department of the Treasury
Internal Revenue Service
Publication 1760 (10-93)
Catalog Number 18478K



Sidebar
Newspaper 1 column
2-1/16" x 4-7/8"

Where to Get Free Advance EIC Tax Help

Ask your employer for the Form W-5 and instructions.

Call the IRS at 1-800-829-1040 for:

- ✓ Answers to questions to determine if you are eligible to receive the credit.
- ✓ Help completing the Form W-5.
- ✓ The locations of volunteers who offer free one-on-one help completing Form W-5 (January through April).

Call the IRS at 1-800-829-3676 for:

- ✓ Tax Forms—including Publication 596, "Earned Income Credit," and Form W-5.

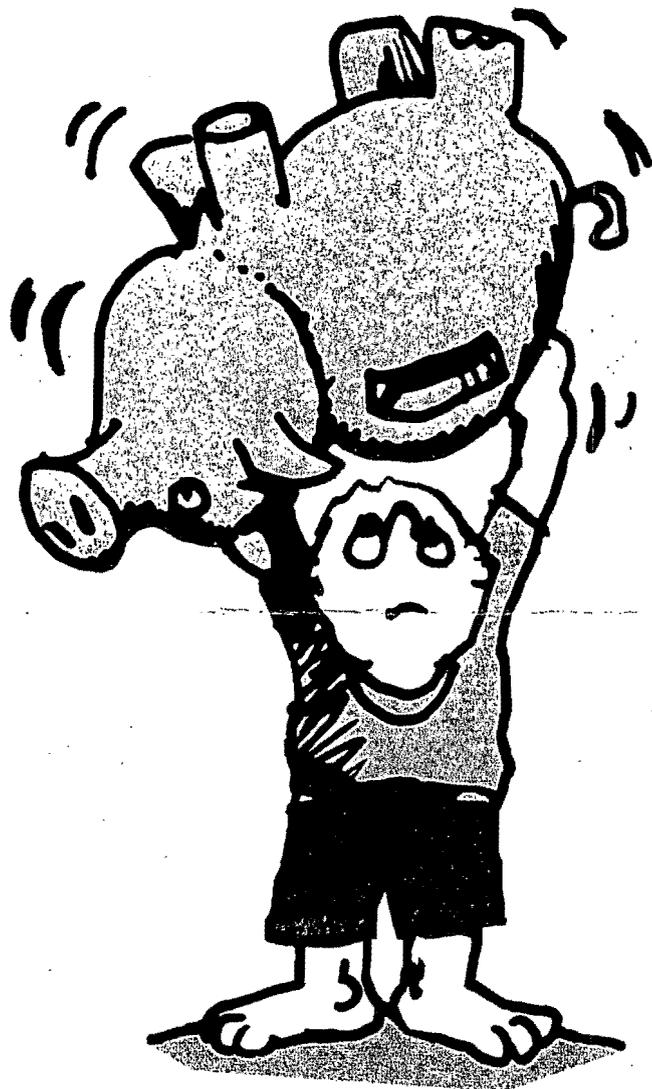
Walk in to your local IRS office for help completing your W-5, answers to questions, and most forms and publications.

SOURCE: Internal Revenue Service

Department of the Treasury
Internal Revenue Service
Publication 1760 (10-93)
Catalog Number 18478K



A little short between paydays?

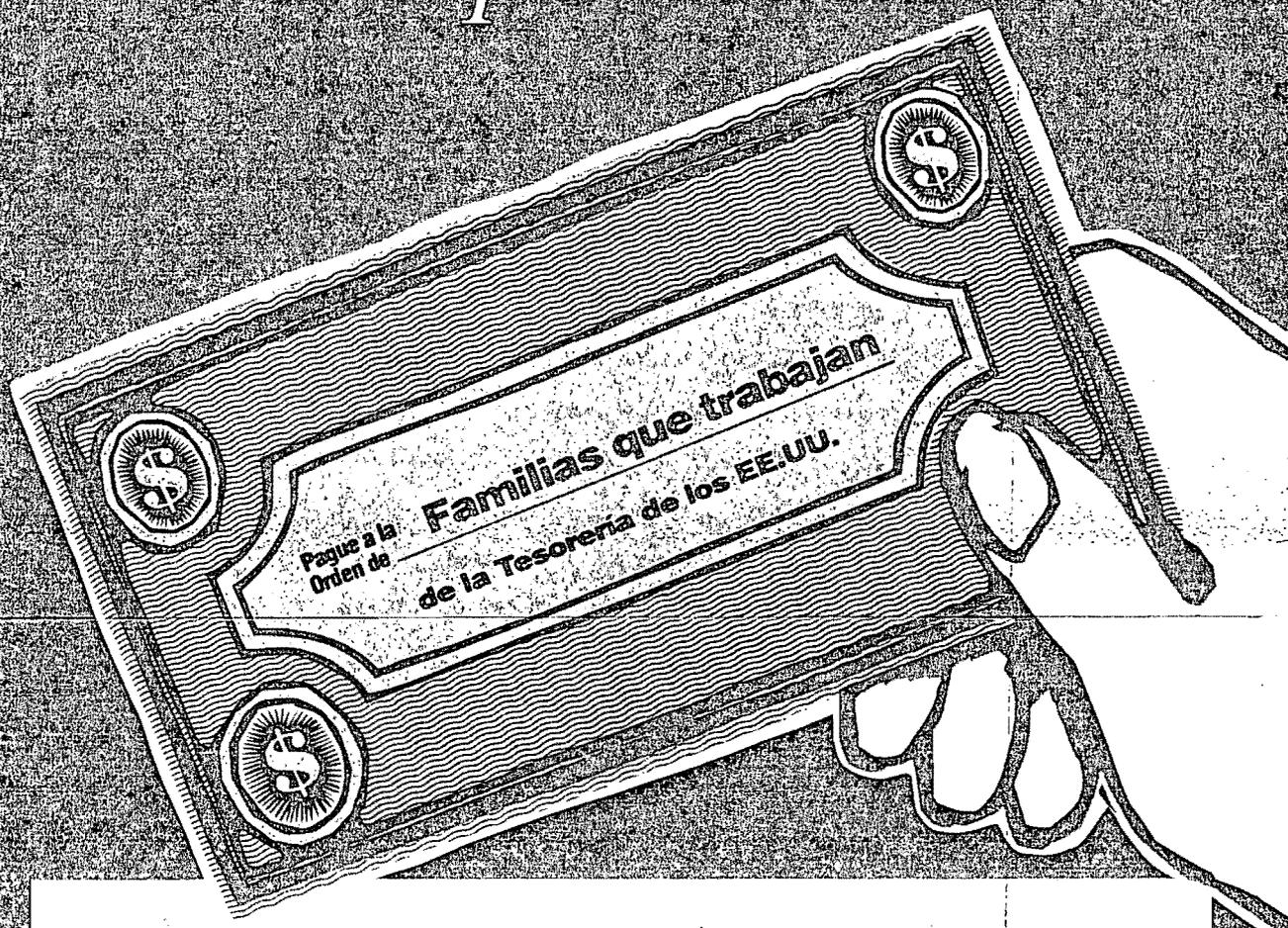


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Ask your employer about the Advance Earned Income Credit,
or call the IRS at

1-800-829-1040.

Obtenga hasta **\$2,364** *en dos pasos sencillos*



¿Trabajó durante 1993—y ganó su familia menos de \$23,050?

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

Si así fue, puede tener derecho a recibir hasta \$2,364 del Crédito por Ingreso de Trabajo (*Earned Income Credit* o Crédito EIC). Es un beneficio federal para padres casados y solteros. Para obtener este Crédito por Ingreso de Trabajo solamente tiene que seguir estos dos pasos:

llene la planilla de declaración de impuestos federales
(formulario 1040A ó 1040, no el formulario 1040EZ)

llene el formulario EIC (Schedule EIC) y adjúntelo a su declaración de impuestos

Puede obtener el Crédito por Ingreso de Trabajo aunque no deba impuestos. Para más información o para averiguar cómo obtener ayuda gratis para llenar los formularios de impuestos, llame gratuitamente a la Oficina de Recaudación de Impuestos (IRS) al teléfono 1-800-829-1040. En California, llame 1-800-829-4672.

1994 CAMPAÑA
PARA EL CREDITO
POR INGRESO
DE TRABAJO



Department of the Treasury
Internal Revenue Service
Communications Division
Washington, DC

Fact Sheet

→ For Release: March 9, 1994

→ FS-94-2

Media Contact: Tel. (202) 622-4000

Copies: Tel. (202) 822-4040

EXPANSION OF EARNED INCOME TAX CREDIT AND THE ADVANCE PAYMENT

The Earned Income Tax Credit (EITC) is a special tax break for workers whose income falls below a certain level. It is subtracted from the tax owed, or -- if the person doesn't owe any tax -- is added to one's refund. The tax credit was expanded with the enactment of the Omnibus Budget Reconciliation Act of 1993 (OBRA '93), and is the cornerstone of the Administration's welfare reform effort. With the passage of OBRA '93, the Administration achieved one of its principal goals: a significant expansion in the EITC that will lift many families out of poverty. This expansion, to be phased in over the next three years, includes a significant increase in the maximum credit available to families with two or more children and an expansion of the credit to childless workers.

In 1975, the initial maximum amount of EITC was \$400. In tax year 1992, 13.95 million workers filed for EITC and claimed \$13.1 billion. In tax year 1993, 14.6 million workers are projected to file for \$14.8 billion. By tax year 1996, 20.8 million workers are expected to claim \$27.9 billion in EITC.

EITC eligibles may receive the credit in either of two ways. In the past, over 99 percent of EITC recipients received the entire amount in a lump sum when they filed their tax returns. The remaining recipients received a substantial portion of the credit during the year through advance EITC payments in their paychecks, and then claimed the balance of the credit when they filed their tax return.

ADVANCE EARNED INCOME TAX CREDIT IMPACT

For low-income workers, the advance EITC payment can ease the burden of meeting day-to-day expenses. The advance EITC allows eligible taxpayers with children to receive up to approximately \$1,200 of the credit on a current basis, rather than at the end of the year.

- Providing the credit in this timely fashion may be of particular importance for people making the transition from welfare to work.
- For others, the advance EITC may make it easier to budget funds during the year.
- The advance EITC represents a way to get more money into their hands at a much earlier point in time.

EITC/AEITC CRITERIA

To qualify and claim EITC for tax year 1993, workers must meet *all* of the following requirements:

- (1) income must be from a job or self-employment; (2) earned income and adjusted gross income must each be less than \$23,050 and the tax return must cover 12 months; and (3) worker must have a child that lived with the worker in the U.S. for more than half the year (the whole year for a foster child) in 1993.

-MORE-

OBRA '93 significantly expanded the EITC beginning January 1, 1994. The credit is no longer limited to families with qualifying children and the earned income and adjusted gross income amounts were increased. The following changes were made to the EITC rules:

- Earned income and adjusted gross income must each be less than \$23,755 and the tax return must cover 12 months.
- Workers age 25 to 64 who meet the income requirements but do not have a child may be eligible for the credit.

The maximum EITC for 1994 earnings is:

- \$2,528 for a worker with two or more children; and
- \$306 for workers without children.

Advance EITC criteria (and effect on the employee and employer) are as follows:

- To claim the advance EITC, the employee completes a one page Form W-5 and submits it to his or her employer.
- Eligible workers without children cannot receive advance EITC.
- Advance EITC payments are limited to 60% of the credit due to the worker. Workers claim the balance of the credit when they file their tax return the following year.

EMPLOYER REQUIREMENTS:

- Form W-5 is used by the payroll department to compute an addition to the employee's take-home pay during each payroll period.
- Employers simply reduce their required employment tax deposits during the year by the amount of any advance EITC payments made to qualifying employees in their paychecks.

The increase in the EITC amounts from the passage of OBRA '93 generally will be phased in over a three-year period. By 1996, the amounts will be:

- \$3,370 for families with two or more children;
- \$306 for workers without children.

Federal Personnel/Payroll Directors can receive advance EITC and EITC promotional materials by calling IRS at 1-800-829-2765. This number is designated for federal agency personnel/payroll office use only. Field personnel/payroll offices should contact their local IRS Taxpayer Education Coordinators for promotional materials.

A little short between paydays?



1994—If you will earn under \$23,760 and have at least one child living with you in the U.S., you could be eligible for extra money in each paycheck.

The Earned Income Credit (EIC) reduces the amount of income tax you pay. In some cases, you could receive the credit "in advance" and get extra money in your paychecks.

If you qualify to get the Advance EIC all you do is file Form W-5, "Earned Income Credit Advance Payment Certificate," with your employer. Then, based on what you earn, your employer adds an additional amount of money (a portion of the EIC credit) to your take home pay.

Self-employed people cannot get the credit in advance, but may be able to claim the credit when they file their federal tax return.

If at any time during the year your circumstances change and you are no longer eligible to receive the credit, you will have to repay the amount advanced to you when you file your tax return. To stop the advance payment, you must fill out a new Form W-5 and give it to your employer. Also, if you receive AEIC in your pay, you will have to file a tax return.

For more information contact your payroll office or call the IRS at 1-800-829-3676 and order free Publication 596, "Earned Income Credit," and Form W-5.





PRO-FORMA LETTER

Jane Buck, Bureau Chief
Bureau of Public Debt
1111 South Capitol Avenue
Parkersburg, WV

Dear Jane,

Over (number) (Cabinet name) employees are potentially eligible to increase their take-home pay by as much as \$100 per month if they qualify and sign up for the advance earned income tax credit (EITC).

EITC is a refundable tax credit for low-income workers and working families with children. With the passage of OBRA '93, the EITC was significantly expanded to help lift many families out of poverty.

Most eligible workers receive the credit by claiming it on their federal tax return. However, workers with children could receive the payment throughout the year in their paychecks by filing a Form W-5, Earned Income Credit Advance Payment Certificate, with their employer.

The Clinton Administration is committed to helping everyone who is eligible to receive this credit. President Clinton has enlisted the help of Cabinet members to promote the advance EITC in all federal agencies. The President wants to ensure that all eligible federal workers are educated on the EITC and have the opportunity to take advantage of the advance EITC.

Treasury and the Internal Revenue Service are conducting extensive outreach efforts to the public that include Presidential involvement in promotional activities; partnerships with public interest and advocacy groups and other federal agencies to reach eligible workers. A letter to all federal Personnel Directors asking for assistance in reaching federal workers has already been sent from IRS.

Promotional materials, such as flyers, paycheck stuffers and posters that can be shared with your employees, can be ordered by calling 1-800-829-2765 (this number is designated for federal agency personnel/payroll office use only).

Additional information on how to order reproducible copies or specific measurements of the products for inclusion as stuffers can be obtained by contacting Tom Attanaro on (202) 622-7742. Your field offices should contact their local IRS Taxpayer Education Coordinator, per the attached list, for promotional supplies and further information.

In April, IRS will send a notice to approximately 16 million individuals who claimed EITC on their 1993 tax return. The mailout explains how to claim advance EITC and will include a Form W-5 for workers to use.

This letter is to make you aware of these promotional efforts and obtain your cooperation in ensuring your personnel and payroll offices provide this valuable information to our workers. Through these actions, we will markedly improve the effectiveness of an already successful EITC program and move positively toward our goal of ending welfare as we know it.

Sincerely,

XXXXXXXXXXXXXXXXXX
Secretary of XXXXXXXXXXXX

Enclosure
cc: Personnel Director



FEDERAL EMPLOYEES POTENTIALLY ELIGIBLE FOR EITC

CABINET MEMBER INVOLVEMENT

The Office of Personnel Management has provided the following statistics on non-Postal Federal civilian employees earning less than \$24,000 per year as of March 31, 1993. The total number of potential employees is 434,097 which includes independent agencies (e.g., GSA, OPM, NASA). These agencies are not included in the table below.

Department	Employment
Agriculture	24,234
Commerce	6,564
Defense	179,176
Air Force	33,739
Army	67,722
Navy	45,140
Other Defense	32,575
Education	513
Energy	1,804
Justice	11,517
Labor	2,163
HHS	25,546
HUD	2,135
Interior	19,158
State	948
Transportation	4,472
Treasury	49,178
Veterans Affairs	82,178
Cabinet Level Total	409,586

Source: OPM's Central Personnel Data File March 1993 Salary and Wage Survey



INTERNAL REVENUE SERVICE TAXPAYER EDUCATION COORDINATORS

IRS Region/District	Coordinator	Phone Number
Central Region	Margie Lee	(513) 684-3823
Cincinnati, OH	Carolyn Davis	(513) 684-2828
Cleveland, OH	Pam McNair	(216) 522-3414
Detroit, MI	Mary Tomala	(313) 226-3674
Indianapolis, IN	Beverly Smith	(317) 226-6543
Louisville, KY	Debbie Campbell	(502) 582-6259
Parkersburg, WV	Theresa Post	(304) 420-6612
Mid-Atlantic Region	Betty Moss	(215) 597-4654
Baltimore, MD	Joan McClean	(410) 962-2222
Newark, NJ	Marianne Pinto	(908) 417-4075
Philadelphia, PA	Pat Healy	(215) 597-0512
Pittsburg, PA	Beverly Flowers	(412) 644-6504
Richmond, VA	Lynda Schedler	(804) 771-2289
Wilmington, DE	John Lenik	(302) 573-6270
International	Karen Winslow	(202) 874-1332
Hato Rey, PR	Neville Ortiz	(809) 766-5947
Midwest Region	Joan Walley	(312) 886-5683
Aberdeen, SD	Gwen Gross	(605) 226-7230
Chicago, IL	John Hilbert	(312) 886-4609
Des Moines, IA	Frances Colston	(515) 284-4870
Fargo, ND	Mitzi Adrian	(701) 239-5105
Helena, MT	Joann Christnacht	(406) 449-5375
Milwaukee, WI	Marcia Corcoran	(414) 297-3302
Omaha, NE	Esther Guertin	(402) 221-3501
St. Louis, MO	Malene Tolbert	(314) 539-3660
St. Paul, MN	John Wise	(612) 290-3320
Springfield, IL	Sonya Jacobs	(217) 527-6366
North-Atlantic Region	Bill Joubert	(617) 279-1731
	Andy Falke	(212) 264-7717
Albany, NY	Benna Thompson	(518) 472-3636
Augusta, ME	Nancy Lord	(207) 622-8328
Boston, MA	Martha Clapp	(617) 424-5310
Brooklyn, NY	Sandra Ramirez	(718) 488-2908
Buffalo, NY	Chris Keefe	(716) 686-4779

INTERNAL REVENUE SERVICE TAXPAYER EDUCATION COORDINATORS (CONT.)

IRS Region/District	Coordinator	Phone Number
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North Atlantic Region (Continued)

Burlington, VT	Lorraine Laba	(802) 860-2089
Hartford, CT	Mike O'Reilly	(203) 240-4154
Manhatttan, NY	Thomas Quigley	(212) 264-3310
Portsmouth, NH	Mary Dylesky	(603) 433-0519
Providence, RI	Janice Moore	(401) 528-4276

Southeast Region

Jim Southwell	(404) 331-1315
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Atlanta, GA	Mary Lucas	(404) 331-3808
Birmingham, AL	Pat Cargile	(205) 731-0403
Columbia, SC	Joyce Robbins	(803) 253-3031
Fort Lauderdale, FL	Phyllis Lamoreux	(305) 424-2440
Greensboro, NC	Eleanor Hoke	(919) 378-2193
Jackson, MS	June Pace	(601) 965-4142
Jacksonville, FL	Bea Harding	(904) 232-2514
Little Rock, AR	Laveta Dixon	(501) 324-5685
Nashville, TN	Betty Calo	(615) 736-2280
New Orleans, LA	Paulette Windon	(504) 558-3011

Southwest Region

Lynnda Beck	(214) 308-1684
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Albuquerque, NM	Josie Uher	(505) 766-2537
Austin, TX	Pamela Kurburski	(512) 499-5314
Cheyenne, WY	Lee Weirauch	(307) 772-2325
Dallas, TX	Elsa Talamantes	(214) 767-1428
Denver, CO	Margie Chandler	(303) 446-1661
Houston, TX	Jo Kuffel	(713) 773-7070
Oklahoma City, OK	Jane Schmitt	(405) 297-4125
Phoenix, AZ	Laura Lopez	(602) 207-8618
Salt Lake City, UT	Esther Anderton	(801) 524-6095
Wichita, KS	Sharon Wurl	(316) 352-7610

Western

Naomi Fleer	(408) 291-4445
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Anchorage, AK	Marie Lozano	(907) 271-6458
Boise, ID	Kim Boyack	(208) 334-9153
Honolulu, HI	Sheila Kawai	(808) 541-3329
Laguna Niguel, CA	Rich Harris	(714) 643-4060
Las Vegas, NV	Rica Fitzhugh	(702) 455-1030
Los Angeles, CA	Christopher Orozco	(213) 894-4574
Portland, OR	Steve Matthews	(503) 326-6565
Sacramento, CA	Shirley Leeman	(916) 974-5088
San Francisco, CA	Carrie Lawrence	(510) 637-2473
San Jose, CA	Barbara Spalinger	(408) 291-7114
Seattle, WA	Elma Shea	(206) 220-5776



TAXATION, BUDGET AND ACCOUNTING

Tax Credits

CLINTON SEEKS TO SPREAD WORD OF AVAILABLE EARNED INCOME TAX CREDIT, PAYMENT OPTIONS

President Clinton March 9 said the government should do a better job of educating low-income working families of the availability of the earned income tax credit and the option of receiving the credit in advance of their tax return each year.

"We want qualifying Americans to know about this option," Clinton said in an Oval Office event that included Vice President Al Gore, members of his Cabinet, Commissioner of Internal Revenue Margaret Milner Richardson, and other federal officials.

The EITC, Clinton said, is "basically an income tax cut in the form of a credit," which he said is available to one in every six taxpayers. For the 1993 tax year, 83 percent of taxpayers will pay the same tax they did in the previous year, taking inflation into account, he said, while 1.2 percent will pay higher taxes as a result of changes approved last year as part of the budget reconciliation bill. Tax reductions will be available to 16.6 percent of taxpayers, Clinton said.

The president issued a directive to his Cabinet and agency heads to instruct all bureau heads, federal personnel, and payroll office managers to help ensure that all potentially eligible federal employees know about the EITC and the option to get the credit on an advanced basis through their paychecks.

Treasury Secretary Lloyd Bentsen said the administration also is determined to get the word out to the private sector by meeting with corporate chief executive officers around the country to encourage them to educate their low-income employees about the credit.

Officials Instructed To Explain EITC

The president's directive also instructs federal officials to use their public appearances and speeches to publicly explain the EITC.

"The IRS can and will help you get the word out to our employees on this valuable credit," Richardson told the president. IRS issued a fact sheet March 9 (FS-94-2) explaining the credit and the advance payment option, which allows eligible taxpayers with children to receive up to approximately \$1,200 of the EITC spread throughout the year, rather than at the end of the year.

The administration said about 2 million taxpayers who are eligible for the EITC, including federal workers, do not claim it, and less than 1 percent of recipients take advantage of the option to receive the credit in advance.

The president last year fought for and succeeded in passing an expansion of the EITC that increases the maximum credit by 70 percent from \$2,000 to \$3,400 when fully phased in. The potential population of

recipients will increase 43 percent from 14 million taxpayers to 20 million. To qualify for 1993, workers with children must have incomes less than \$23,050 for the year. □

Health Care

SMOKERS' HEALTH COSTS DO NOT JUSTIFY PROPOSED CIGARETTE TAX HIKE, CRS SAYS

The increased health costs, sick leave, and other expenses smoking imposes on society do not justify the Clinton administration's proposed 75 cents per pack cigarette excise tax hike, the Congressional Research Service concluded in a March 8 economic analysis.

CRS found that existing state and federal cigarette excise taxes, which average about 50 cents a pack, already cover average estimates of smoking's "spillover effects," that is, the costs imposed by smokers on non-smokers.

The report contradicts statements in President Clinton's fiscal 1995 budget submission, which stressed the tax would help pay for the additional health care costs of smoking and would discourage individuals, particularly young people, from smoking.

The report, *Cigarette Taxes To Fund Health Care Reform: An Economic Analysis (94-214E)*, explained a cigarette tax would be economically efficient if it forced smokers to pay for costs they impose on non-smokers, or if it raised smokers' costs to compensate for the effect of incomplete information on their judgment on the cost to themselves.

The report said estimates of per pack spillover effects vary widely as a result of uncertainties relating to the various factors that must be weighed to calculate those costs.

"Mid-range estimates based upon likely assumptions suggest net external costs from smoking in the range of 33 cents per pack in 1995 prices, an amount that by itself is too small to justify either current cigarette taxes or the proposed tax increase," the report said.

A lower-bound estimate suggests smoking does not impose any external costs on non-smokers. Rather, it provides net savings to the non-smoking population, primarily because smokers' early deaths leave their Social Security and pension contributions unused and available to reduce future financing demands on non-smokers, CRS said.

Costs Of Smoking

The report cited a 1991 study by Willard G. Manning that found the net external cost per pack of cigarettes was about 16 cents for a young smoker.

That estimate included 43 cents of external costs imposed on society: 26 cents of additional medical

expenditures; 1 cent of sick leave costs; 5 cents of group life insurance costs; 2 cents of costs from fires; and 9 cents of lost tax revenue smokers would have paid to finance retirement and health programs had they not died early.

Offset against those costs are external savings to society of 27 cents: 24 cents from reductions in retirement pensions; and 3 cents from reduced use of nursing homes.

CRS found the Manning study made a "much stronger case" for taxing alcoholic beverages at a higher rates.

An upper-bound estimate of net external costs from smoking would justify current cigarette taxes and some or all of the proposed 75 cent tax increase.

Regarding the argument that a cigarette tax could be justified to compensate for smokers' imperfect information about the health costs smoking imposes on themselves, the CRS report found that the average smoker is aware of, or over-estimates, the health risks of smoking.

The administration's cigarette tax proposal, which enjoys considerable public support, would raise about \$11 billion a year and would be relatively simple to administer because it would increase a tax that is already in place, CRS said.

The report also stated that, while a cigarette tax would raise considerable revenues, it would finance a continually smaller share of health care costs.

After 15 years, revenues would drop by about 10 percent below the initial \$11.4 billion annual budget-window estimate, CRS said.

Jane G. Gravelle, CRS senior specialist in economic policy, and Dennis Zimmerman, specialist in public finance, wrote the report. □

FOIA Letters

TREASURY RELEASES 42 LETTERS UNDER FREEDOM OF INFORMATION ACT

The Treasury Department March 8 released 42 letters under provisions of the Freedom of Information Act, for the week ending March 4.

Treasury also denied the release of two letters in full.

Incoming Letters

Following are summaries of the 19 incoming letters:

• **Energy Policy:** Denise A. Bode, Independent Petroleum Association of America, Washington, urged Treasury to support changes in federal policies to preserve marginal wells and to encourage investment in new oil and natural gas drilling (Letter No. 1).

• **Arbitrage And Rebate—Section 148:** Michael J. Borys and Arthur M. Miller, Goldman, Sachs & Co., New York, sent comments on expenditure of non-bond proceeds under the mixed escrow rules and on the multipurpose issue allocation rules (Letter No. 2).

• **Retirement Protection Act—HR 3396, S 1780:** Harvey L. Coustan, American Institute of Certified Public Accountants, Washington, sent an AICPA Tax

Division position paper on Section 408 of the proposed Retirement Protection Act, detailing reasons for AICPA's opposition to the elimination of cross-testing (Letter No. 3).

• **Disaster Insurance—HR 3757, S 1814:** Sen. Thomas A. Daschle (D-SD) and Rep. David Minge (D-Minn) urged Treasury Secretary Lloyd Bentsen to support in writing their identical legislation that would allow farmers to carry disaster and crop insurance payments back to the year of the disaster if that is when they would have received income from their damaged or destroyed crops (Letter No. 4).

Similar sentiments were expressed in a separate letter from Minge and 19 other farm-state representatives (Letter No. 6).

• **Employee Benefits:** M. Carr Ferguson Jr., American Bar Association Section of Taxation, Washington, sent comments by individual members of the section on the proposal to amend and reissue Revenue Procedure 85-29, relating to automatic approvals to changes in funding method (Letter No. 7).

• **International Trade—Section 985:** Robert H. Green, National Foreign Trade Council, Washington, urged expedited finalization of the proposed Section 985 regulations in order to enhance taxpayer compliance and avoid the uncertainties involved in filing the 1993 corporate return (Letter No. 8).

• **Passive Loss—Section 469:** Gerald D. Hines, Hines Interests Limited Partnership, Houston, opposed the Treasury view that the passive activity loss statute does not permit the aggregation of limited partnership interests (Letter No. 9).

• **Club Dues:** Ivey Jackson, Birmingham, Ala., opposed the proposed taxation of dues paid to community service clubs (Letter No. 10).

Similar sentiments were expressed by Arthur M. Lee, Phoenix (Letter No. 11); R.E. Maxfield, Jormax Stone Mountain, Ga. (Letter No. 12); John W. Morris, Radiology Associates, Daytona Beach, Fla. (Letter No. 13); and Anna M. Pixler, Kiwanis Club of Cherry Creek, Denver (Letter No. 16).

• **Exempt Organizations:** Nan F. Nixon, Harvard University, Cambridge, Mass., thanked Assistant Treasury Secretary for Tax Policy Leslie B. Samuels for meeting with Harvard officials to discuss the effect of the tax-exempt bond institutional volume cap on affected colleges and universities (Letter No. 14).

• **FSCs—Section 883:** Harold J. Pertel, D'Accord Financial Services Inc., San Francisco, said current IRS positions on certain foreign sales corporation issues have had a chilling effect on the lease financing market and may affect the decisions of foreign companies whether to use U.S. goods (Letter No. 15).

• **Construction Loans:** Henry Ruempler, American Bankers Association, Washington, and Jim O'Connor, Savings and Community Bankers of America, Washington, asked Treasury to review Revenue Ruling 93-70, which requires information reporting for construction loan disbursements (Letter No. 17).

• **Lobbying:** R. William Taylor, American Society of Association Executives, Washington, sent comments and recommendations on areas of the new lobbying tax deductibility law that the Service has addressed or is likely to address through regulations or other guidance in the near future (Letter No. 18).



March 11, 1994

TO ALL GOVERNORS:

Over the past few years, the National Governors' Association has worked with all Governors to help alert working families in their states to the federal Earned Income Credit (EIC). Many of you have been active participants in the past. The need for your continued involvement remains a critical one.

Last year, nearly 14 million Americans received the EIC, a federal income tax credit for low-income working families with children. Since you must work and support your children to qualify, the credit is universally viewed as "pro-work" and "pro-family."

The EIC is a refundable tax credit, meaning eligible families can receive a check from the IRS even if they owe no federal income tax. The income limit for the 1993 tax year is \$23,050.

The credit provides an important boost to state economies. Last year, it put over \$13 billion into the fifty states.

There are several reasons why the public education campaign is more important than ever:

- First, the EIC continues to grow. The maximum basic credit for families with one child is \$1,434 for tax year 1993. For families with more than one child, the basic EIC is worth up to \$1,511. Families with a child born in 1993 can receive an extra EIC benefit of up to \$388. And families that pay at least part of the premiums for a health insurance policy that includes coverage for a child may receive an extra EIC benefit of up to \$465.

In addition, Congress recently expanded the EIC even further. By tax year 1996, families with two or more children can get up to \$3,370. (The extra child and health supplemental EIC benefits end after tax year 1993.) The increases take effect in 1994, but it is important for eligible families to learn about the credit now so that they can be sure to receive it next year.

- Second, significant numbers of families are eligible for the EIC but do not receive it. Estimates show that over one million families may now qualify but fail to get their EIC. Many do not know how to apply for the credit. We need to help alert all of our eligible citizens.

- Third, families must file the "Schedule EIC" along with their income tax return to receive the EIC. This practice began last year, but many families are still unaware of this additional form. The IRS will send a form letter notifying a family of potential eligibility for the EIC if they appear to qualify based on their tax return. But many families are likely to fall through the cracks and not receive the credit they have earned.
- Finally, a recent Gallup Organization survey of New Jersey families found that the majority of EIC applicants paid someone to prepare their tax forms for them. Few were aware of the free tax assistance service (Volunteer Income Tax Assistance or VITA) provided by the IRS. This year, there is a particular emphasis on publicizing the availability of VITA clinics that operate in communities during the tax filing season. Information is included in the enclosed packet on VITA coordinators in your area.

For these reasons, Governors can have a major impact on helping our citizens claim their EIC.

Enclosed is the new outreach kit prepared by the non-profit and non-partisan Center on Budget and Policy Priorities. The Center has spearheaded the nationwide outreach campaign since its inception in 1989. The kit includes posters, fliers, paycheck stuffers (you can help alert state employees), an outreach strategy guide, and state-by-state data on EIC participation. Working through your state agencies, Governors can undertake a variety of efforts to publicize the credit.

This credit helps "make work pay" and is an important part of revamping our welfare system. It is consistent with state welfare initiatives and reinforces our goals of helping disadvantaged children.

I urge all Governors to join this important endeavor. Outreach activities must be undertaken immediately to help families receive the EIC for the 1993 tax year. If you have questions or would like additional materials, please call Ellen Nissenbaum at the Center on Budget and Policy Priorities at 202/408-1080.

Sincerely,


Raymond C. Schepach
Executive Director

Enclosures



March 1994

Dear Friend,

Welcome to the 1994 **Earned Income Credit Campaign**, a national project to help eligible families claim the EIC. The Earned Income Credit is a tax benefit for low- and moderate-income parents who work — full time, part time or part of the year — and have children. Eligible families can receive as much as \$2,364 in EIC benefits this year.

While more than 15 million families qualify for the EIC, many eligible families don't claim their credit. Reaching these families is the goal of the EIC Campaign.

New research on eligible families yields valuable information

Two recent pieces of research provide important new information for organizations conducting EIC outreach. First, a University of Wisconsin-Madison study shows:

- Each year, close to 200,000 eligible families do not get the EIC because they mistakenly file Form 1040EZ. To get the EIC, families must file Form 1040A or 1040 along with Schedule EIC. Families that file Form 1040EZ cannot get the EIC.
- Hispanic families with children are far more likely than non-Hispanics to be eligible for the EIC but are less likely to apply.
- Eligible families who live in states with no state income tax are less likely to apply for the EIC.

Also of interest are results from a recent Gallup Organization survey of New Jersey families, commissioned by Public Service Electric and Gas and the Association for Children of New Jersey. The Gallup survey found:

- About two-thirds of EIC applicants paid someone to prepare their tax forms for them. Only a small percentage chose to have their tax forms prepared for free by VITA (Volunteer Income Tax Assistance).
- Less than one in ten applicants were aware they could receive the EIC by paycheck.
- More than 90 percent of EIC applicants said the EIC helped them pay bills.

As a result of the Gallup findings, we are asking local EIC campaigns to place greater emphasis this year on publicizing VITA and the advance payment, or "paycheck," option.

EIC has been expanded, but not for this year

On August 10, 1993, President Clinton signed into law a bill that will significantly increase EIC benefits, simplify the credit, and extend a small benefit for the first time to low-income workers without children. However, these improvements do not begin to take effect until tax year 1994. Because the current EIC campaign encourages families to file their tax year 1993 returns, campaign organizers need not be concerned now with the details of the new law. Next year's EIC kit will explain the changes.

— over —

**THE 1994
EARNED
INCOME
CREDIT
CAMPAIGN**

A PROJECT OF
THE CENTER ON
BUDGET AND POLICY
PRIORITIES

777 N. CAPITOL ST., NE
SUITE 705
WASHINGTON, DC
20002

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

Your EIC materials

The EIC materials in this envelope are part of a larger "kit" produced by the Center on Budget and Policy Priorities. Demand for the 1994 EIC kit exceeded our expectations, and the kit is now out-of-print. To meet the additional demand, we have produced this somewhat scaled-down version.

The following enclosed items are intended for use by eligible families and are printed in both English and Spanish:

COLOR POSTERS — The 11" x 17" posters can be displayed in high-traffic areas. They have space at the bottom for your group's name, phone number, or other local information.

FLYER — The two-sided 8½" x 11" flyer can be easily copied and distributed.

ENVELOPE STUFFER — The two-sided "stuffer" can be reproduced and inserted into paychecks, public assistance checks, and bills (such as utility bills).

"FAMILY" FACT SHEET — You can give this fact sheet to families who need more information than is provided on the flyer or stuffer.

The following materials, clearly marked with a "handshake" symbol on their top, left-hand corner, are meant for use by campaign organizers:

- A memo explaining how, where, and why to refer eligible families for free local tax help.
- A table showing the size of a family's EIC benefit at a given level of income.
- State-by-state data on the number of families who received the EIC in tax year 1992.
- A blank copy of "Schedule EIC" that can be reproduced and used by eligible families.

In addition to the Spanish fact sheets, flyer, poster, and stuffer in this kit, the Center on Budget and Policy Priorities has produced Vietnamese translations of the flyer and fact sheets. And thanks to various local EIC campaigns, we have EIC flyers in Cambodian, Chinese, Creole, Czechoslovakian, Italian, Korean, Laotian, Polish, and Russian. These materials are available on request. If your group translates EIC materials into any other languages, please send us copies.

The primary item that is included in the full kit, but not in the enclosed materials, is a 28-page guide on how to promote the EIC in states and localities. This "strategies" guide includes information on how to reach eligible immigrants, Hispanics, foster parents, and recipients of government aid; how to enlist employers and other local groups in your campaign; how to use the media to promote the EIC; fundraising for your EIC campaign; and other strategic advice. The "strategies" guide is available upon request. For a copy, please call Alison Pion or Jocelyn Woodards at (202) 408-1080.

The **Earned Income Credit** can make a real difference in the lives of many low-income working families — so long as they know it exists and how to receive it. We appreciate your support in this important effort.

Sincerely,



Robert Greenstein
Executive Director

Parents:

"FAMILY" FACT SHEET

Want up to \$2,364? Get your Earned Income Credit!

What is the Earned Income Credit?

The Earned Income Credit (EIC) is a government benefit for working families with children. Both married and single parents can get the EIC.

Who can get the EIC?

To get the EIC, you must be able to answer "yes" to both of the following statements:

- I (or my husband or wife) worked part or full time at some point in 1993.
- My family's income was less than \$23,050 in 1993.

You must also be able to answer "yes" to *at least one* of these two statements:

- A child who is my son, daughter, adopted child, stepchild, or grandchild lived with me for more than six months in 1993.
- A child who is my nephew or niece, a friend or neighbor's child, or a foster child lived with me for all 12 months in 1993.

In either case, the child must be under age 19, a full-time student who is under 24, or totally disabled and any age.

How does the EIC work?

The EIC is a tax benefit. If you owe federal income tax, the EIC will reduce the amount you owe.

If you don't owe federal income tax, the government will send you a check in the amount of



your EIC benefit. In other words, you can get the EIC *even if you didn't earn enough to owe federal income tax.*

You can still get the EIC even if your employer did not take income tax out of your pay.

If you get the EIC, will your welfare benefits be lowered?

In most cases, no.

If you live in public housing, or if you get help from the government to pay your rent, don't worry. Getting the EIC will not cause your rent to go up.

If you get AFDC, food stamps, SSI, or Medicaid, don't worry. Getting the EIC will not cause your benefits to be lowered.

How do you apply for the EIC?

To get the EIC, you must do two things:

- 1** File a federal income tax return — Form 1040A or 1040. Do *not* use Form 1040EZ.
- 2** Fill out a tax form called "Schedule EIC." Attach this form to your income tax return.

Where can you get your tax forms filled out free?

There is a program to help you fill out your tax forms for free. It is called VITA.

VITA clinics are open from late January through April 15. To find the VITA clinic closest to you, ask an IRS operator at **1-800-829-1040**. But be prepared: the line is often busy.

What if you haven't filed a tax return in a long time?

If you haven't filed a tax return recently and wonder what will happen if you file now, it's okay to ask the IRS. *You don't have to give your name!* Call them at **1-800-829-1040**.

You might find that because of the EIC, the IRS owes *you* money.

Where can you get answers to your questions about the EIC?

You can call an IRS operator. Call **1-800-829-1040** on weekdays, during business hours. But remember: the line is often busy.

Padres y Madres

¿Quieren recibir hasta \$2,364?

¡Obtengan su Crédito por Ingreso de Trabajo!

¿Qué es el Crédito por Ingreso de Trabajo?

El Crédito por Ingreso de Trabajo o Crédito EIC es un beneficio del gobierno para familias trabajadoras que tienen niños. Tanto familias con los dos padres como familias con sólo el padre o la madre pueden recibir el Crédito EIC.

¿Quién puede obtener el Crédito EIC?

Para obtener el Crédito EIC, tiene que poder contestar "Sí" a las dos frases siguientes:

- Yo (o mi esposo o esposa) trabajé a tiempo parcial o tiempo completo durante 1993.
- Los ingresos de mi familia en 1993 fueron de menos de \$23,050

También tiene que poder contestar "Sí" a una de las frases siguientes:

- Durante 1993 tuve un hijo o hija, niño adoptivo, hijastro, o nieto que vivió conmigo por más de seis meses.
- Durante 1993 tuve un sobrino o sobrina, el hijo de un vecino o amigo, o un hijo de crianza que vivió conmigo todos los 12 meses del año.

En cualquiera de los casos el niño tiene que ser menor de 19 años o un estudiante a tiempo completo que tiene menos de 24 años.

¿Cómo funciona el Crédito EIC?

El Crédito EIC es un beneficio de los impuestos. Si usted debe impuestos federales, el Crédito EIC le reduce la cantidad que debe.

Si no debe impuestos federales, el gobierno le enviará un cheque por la cantidad del beneficio EIC. Es decir, que puede obtener el Crédito EIC *aunque no haya ganado lo suficiente para deber impuestos federales.*



Si obtiene el Crédito EIC, ¿quiere decir que le reducirán sus beneficios de asistencia pública?

No en la mayoría de los casos. Si vive en vivienda pública, o si recibe ayuda del gobierno para pagar su renta, no se preocupe. El Crédito EIC no hará que le suban la renta. Si está recibiendo ayuda para niños dependientes (AFDC), estampillas para la comida, seguro social (SSI), o Medicaid, no se preocupe. El Crédito EIC no hará que le reduzcan los beneficios.

¿Cómo puede solicitar el Crédito EIC?

Para obtener el Crédito EIC, tiene que hacer dos cosas:

- 1** Llenar una declaración de impuestos — Formulario 1040A ó 1040. *No utilice el Formulario 1040EZ.*
- 2** Llene el formulario llamado “Formulario EIC.” Coloque este formulario con su declaración de impuestos.

¿Dónde puede obtener respuestas a sus preguntas sobre el Crédito EIC?

Puede llamar a un operador del IRS. Llame al **1-800-829-1040** durante la semana, en horas de trabajo. Sin embargo, la línea está bastante ocupada y los operadores hablan inglés únicamente. Puede dejar su nombre y número de teléfono para que un operador que habla español lo llame dentro de un plazo de 15 días.

Si vive en California, hay un número especial del IRS para los hispanos: llame al **1-800-829-4672**.

¿Adónde puede ir para que le llenen los formularios de impuestos gratuitamente?

Hay un programa llamado VITA que le ayuda a llenar sus formularios de impuestos gratuitamente.

Los centros VITA están abiertos desde fines de enero hasta el 15 de abril. Para encontrar el centro VITA más cercano a usted, pregúntele al operador del IRS en el número **1-800-829-1040**. Recuerde que la línea está bastante ocupada y que los operadores hablan inglés únicamente.

¿Qué pasa si usted no ha declarado impuestos por mucho tiempo?

Si no ha presentado su declaración de impuestos últimamente y no sabe qué puede pasar si la presenta ahora, puede llamar al IRS al **1-800-829-1040**. Es posible que descubra que debido al Crédito EIC, el IRS le debe *a usted* dinero.

¿Puede obtener el Crédito EIC si usted no es ciudadano de Estados Unidos?

En algunos casos, sí. Para más información, llame al IRS al **1-800-829-1040**. En California, llame al **1-800-829-4672**.



EIC Benefits for Tax Year 1993, at Various Income Levels

Amount of earnings	I. Basic credit, one child	II. Basic credit, two or more children	III. Extra credit for child born in 1993	IV. Extra health insurance credit	Maximum possible EIC (II+III+IV)
\$500	\$93	\$98	\$25	\$30	\$153
1,000	185	195	50	60	305
1,500	278	293	75	90	458
2,000	370	390	100	120	610
2,500	463	488	125	150	763
3,000	555	585	150	180	915
3,500	648	683	175	210	1,068
4,000	740	780	200	240	1,220
4,500	833	878	225	270	1,373
5,000	925	975	250	300	1,525
5,500	1,018	1,073	275	330	1,678
6,000	1,110	1,170	300	360	1,830
6,500	1,203	1,268	325	390	1,983
7,000	1,295	1,365	350	420	2,135
7,500	1,388	1,463	375	450	2,288
8,000	1,434	1,511	388	465	2,364
8,500	1,434	1,511	388	465	2,364
9,000	1,434	1,511	388	465	2,364
9,500	1,434	1,511	388	465	2,364
10,000	1,434	1,511	388	465	2,364
10,500	1,434	1,511	388	465	2,364

THE 1994 EARNED INCOME CREDIT CAMPAIGN

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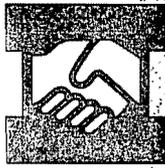
TEL 202/408-1080
FAX 202/408-1056
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— over —



Amount of earnings	I. Basic credit, one child	II. Basic credit, two or more children	III. Extra credit for child born in 1993	IV. Extra health insurance credit	Maximum possible EIC (II+III+IV)
\$11,000	\$1,434	\$1,511	\$388	\$465	\$2,364
11,500	1,434	1,511	388	465	2,364
12,000	1,434	1,511	388	465	2,364
12,500	1,394	1,469	377	452	2,298
13,000	1,328	1,399	360	431	2,190
13,500	1,262	1,329	342	410	2,081
14,000	1,196	1,260	324	388	1,972
14,500	1,130	1,190	306	367	1,863
15,000	1,063	1,120	289	346	1,755
15,500	997	1,051	271	325	1,647
16,000	931	981	253	303	1,537
16,500	865	911	236	282	1,429
17,000	799	842	218	261	1,321
17,500	733	772	200	240	1,212
18,000	667	702	183	218	1,103
18,500	601	633	165	197	995
19,000	535	563	147	176	886
19,500	469	493	129	155	777
20,000	403	424	112	133	669
20,500	337	354	94	112	560
21,000	271	284	76	91	451
21,500	205	215	59	70	344
22,000	139	145	41	48	234
22,500	73	76	23	27	126
23,000	7	6	6	6	18

Example→ Take a family that has two children (one born in 1993), earned \$11,500 in 1993, and paid no health insurance premiums for the children. Under the EIC, this family would get a basic credit of \$1,511. Because they had a child in 1993, the family would receive an extra credit of \$388. Since no health insurance premiums were paid, they would not receive a health credit. The family's total EIC would be \$1,899.



Helping Families Get Free Tax Help

Most families who are eligible for the EIC do not fill out their tax forms themselves. Instead they seek outside help, usually from commercial tax preparers. A recent Gallup Organization survey in New Jersey found that two-thirds of EIC applicants paid someone to prepare their tax return and Schedule EIC. Typically, these businesses charge between \$50 and \$100 to fill out and transmit a Form 1040A tax return and Schedule EIC. The exact amount depends on how soon the customer can expect to receive a refund.

Fortunately, there is a program to help families fill out their tax forms for free. It is called VITA, or Volunteer Income Tax Assistance. Families can visit a local VITA clinic and have their tax forms completed at no cost by an IRS-trained volunteer.

The VITA program

Most urban and suburban communities across the U.S. have several VITA clinics. (Rural areas tend to have fewer.) Often these clinics are located at churches, libraries, shopping malls, community colleges, and other public sites. The clinics open in late January or early February and operate through April 15. Families usually cannot make an appointment; most VITA clinics operate on a first-come, first-serve basis.

While VITA volunteers work for free, they are trained by the IRS and generally do a first-rate job. IRS data show that 19 of every 20 people who visit VITA have their tax forms filled out exactly right.

The problem with VITA: very few people take advantage of it

The main problem with VITA is that few people use it. The Gallup survey found that only a small fraction of EIC applicants used VITA. There are several explanations.

Most eligible families don't know about VITA. Even if families do know about VITA, they may find it difficult to find out where their local clinics are located. Typically, the only way a family can find out where its local clinics are is to call the IRS at **1-800-829-1040** and ask an operator. But because the IRS phone lines usually are busy during the tax season, this is a problematic way to refer families to VITA.

Finally, some communities do not have enough VITA clinics. In other areas, the VITA clinics may not be conveniently located for the neediest families.

What you can do to help

There are several things your organization can do. Most important is to publicize the availability of free tax help and the location of local VITA sites. One option is to mail a list of local VITA clinics to churches, employers, unions, and welfare offices in the area and ask them to refer families to the nearest clinic. You can get this list from your local VITA coordinator, whose phone number is listed on the next page. Another option is to issue a press release or sponsor a press conference about VITA in conjunction with your local IRS office. (See pages 20-24 of the strategy guide in this kit for more information about using the media to promote the EIC.)

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Phone Numbers of Local VITA Coordinators, by Region

Central	513-684-3823	Southeast	404-331-1315
Cincinnati, OH	513-684-2828	Atlanta, GA	404-331-3808
Cleveland, OH	216-522-3414	Birmingham, AL	205-731-0403
Detroit, MI	313-226-3674	Columbia, SC	803-253-3031
Indianapolis, IN	317-226-6543	Ft. Lauderdale, FL	305-424-2440
Louisville, KY	502-582-6259	Greensboro, NC	919-378-2193
Parkersburg, WV	304-420-6612	Jackson, MS	601-965-4142
		Jacksonville, FL	904-232-2514
Mid-Atlantic	215-597-4654	Little Rock, AR	501-324-5685
Baltimore, MD	410-962-2222	Nashville, TN	615-736-2280
Newark, NJ	908-417-4075	New Orleans, LA	504-558-3011
Philadelphia, PA	215-597-0512		
Pittsburgh, PA	412-644-6504	Southwest	214-308-1684
Richmond, VA	804-771-2289	Albuquerque, NM	505-766-2537
Wilmington, DE	302-573-6270	Austin, TX	512-499-5314
		Cheyenne, WY	307-772-2325
Midwest	312-886-5681	Dallas, TX	214-767-1428
Aberdeen, SD	605-226-7230	Denver, CO	303-446-1661
Chicago, IL	312-886-4609	Houston, TX	713-773-7070
Des Moines, IA	515-284-4870	Oklahoma City, OK	405-297-4125
Fargo, ND	701-239-5105	Phoenix, AZ	602-207-8618
Helena, MT	406-449-5375	Salt Lake City, UT	801-524-6095
Milwaukee, WI	414-297-3302	Wichita, KS	316-291-6610
Omaha, NE	402-221-3501		
St. Louis, MO	314-539-3660	Western	408-291-4445
St. Paul, MN	612-290-3320	Anchorage, AK	907-271-6458
Springfield, IL	217-527-6366	Boise, ID	208-334-9153
		Honolulu, HI	808-541-3329
North-Atlantic	617-279-1731	Laguna Niguel, CA	714-643-4060
Albany, NY	518-472-3636	Las Vegas, NV	702-455-1030
Augusta, ME	207-622-8328	Los Angeles, CA	213-894-4574
Boston, MA	617-424-5310	Portland, OR	503-425-6265
Brooklyn, NY	718-488-2908	Sacramento, CA	916-974-5088
Buffalo, NY	716-686-4779	San Francisco, CA	510-637-2473
Burlington, VT	802-860-2089	San Jose, CA	408-291-7114
Hartford, CT	203-240-4154	Seattle, WA	206-220-5776
Manhattan, NY	212-264-3310		
Portsmouth, NH	603-433-0519		
Providence, RI	401-528-4276		

Setting up an EIC telephone "hotline"

A more ambitious approach might be to establish an EIC telephone "hotline" that refers callers to the nearest VITA clinic. Organizations in 15 cities or states already operate EIC hotlines of this type during the tax season.

An EIC hotline has several advantages over the IRS phone line. If desired, it can operate 24 hours a day, 7 days per week; you can use multilingual operators; and you can send materials to callers — such as Schedule EIC, a list of local VITA clinics, and a checklist of materials and information the callers should bring to the VITA sites (see box on the next page).

At a minimum, hotline operators should be able to provide basic information on EIC eligibility rules and benefit levels and tell callers the location and hours of the nearest VITA clinic. A sample phone script for answering EIC calls is on the back page of this pamphlet. Callers with technical questions on tax issues generally should call the IRS at **1-800-829-1040**.

There are several ways to set up an EIC hotline. One option is to "adopt" the information line at your local United Way. In several cities last year, United Way agencies expanded their information line to take calls on the EIC. (For information on this option, call Laura Calderon of Partnership for Hope at 210-826-4673.)

A second option is to hire an answering service. Groups in several cities have hired an answering service to take calls on the EIC. Most groups, however, need financial support to do this. (For more information on this option, contact Rebecca Adams of the Association for Children of New Jersey at 201-643-3876.) Finally, several organizations have run an EIC hotline out of their own offices, using interns and a voice mail system. (For more information on this option, contact Ibrahim Mumin of the Greater Washington Research Center at 202-466-6680.)

Recruiting accountants and other volunteers

If you conclude there are not enough VITA clinics in your community, there are several things you can do. One is to contact your local VITA coordinator and offer to help recruit volunteers, such as local accountants interested in doing "pro bono" work. One advantage to accountants is that they generally do not need additional training. (For more information about recruiting accountants, contact Lori Rogovin of the Maryland Committee for Children at 410-752-7588.)

You may have more success recruiting nonprofessionals, such as retirees. Nonprofessionals who wish to work for VITA must contact the local VITA coordinator and schedule to be trained. While VITA training typically takes about 40 hours, the local VITA coordinator should be prepared to hold shorter, 24-hour "EIC" trainings instead for volunteers who are specifically interested in helping families who are eligible for the EIC.

Creative arrangements also can be made with college accounting students. In several cities, accounting professors have required their students to prepare tax forms for EIC families. In another city, a prominent accounting firm required similar volunteer work from students who hoped to intern at their firm. (For information on working with accounting students, contact Ken Milani of the University of Notre Dame at 219-631-5296.)

If you conclude that local VITA clinics are not located where they are needed most, you might contact your local VITA coordinator and offer your help. One way to help might be to broker agreements between the VITA coordinator and local groups to set up VITA clinics on their premises. If nothing else, you can help the VITA coordinator plan the location of sites for 1995.

Information to Bring to VITA

Tax forms

- Copy of your 1992 tax return
- W-2 forms from all 1993 jobs
- 1099-G (unemployment compensation)
- 1099-INT (bank interest)

Other information to bring

- Social security numbers of every household member
- Name, address, and tax identification number of child care provider
- Amount of money paid to child care provider in 1993
- Amount of health insurance premiums the family paid in 1993 for a policy covering a child

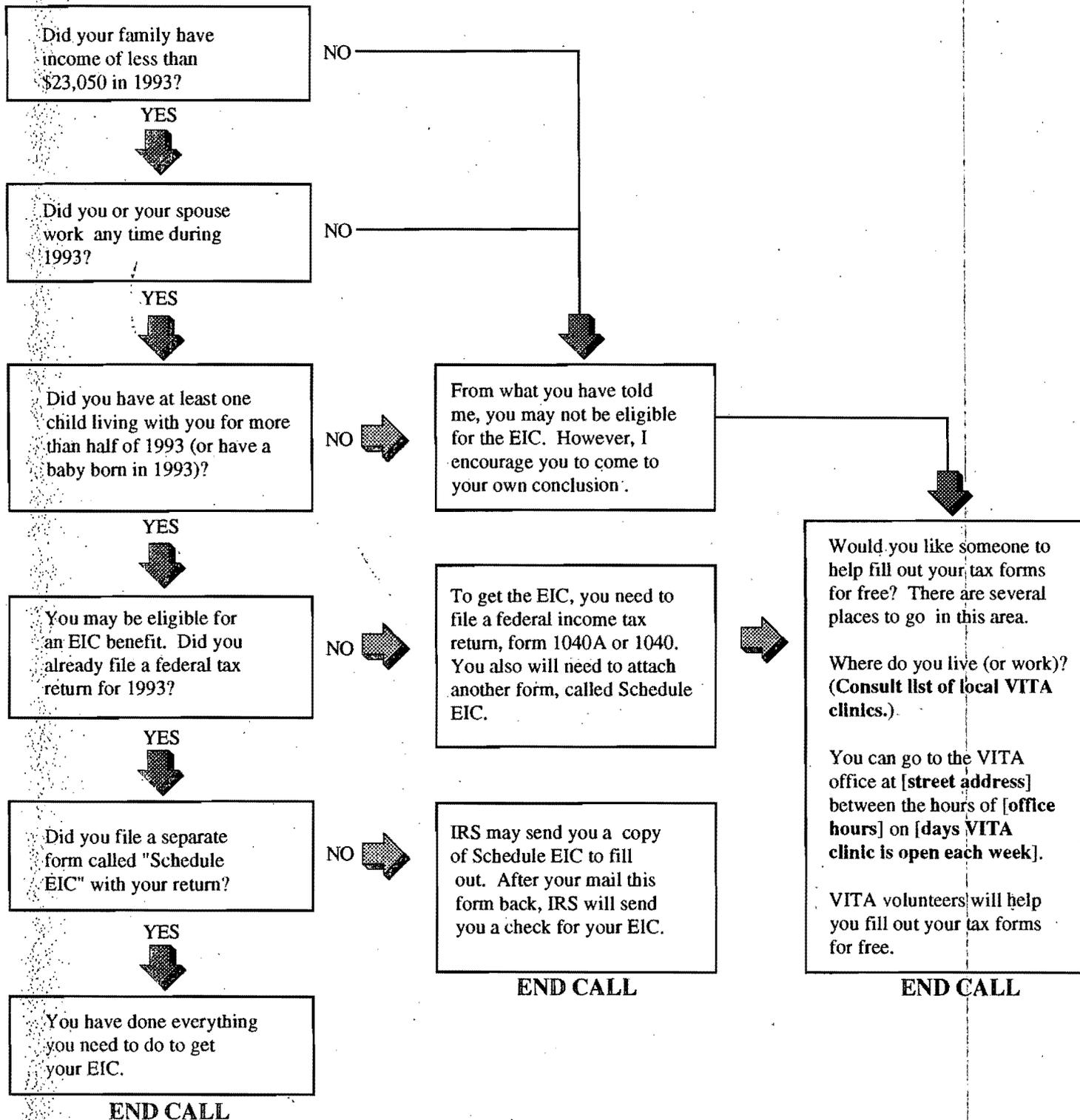


SCRIPT FOR EIC PHONE INQUIRIES

CALLER: I saw your phone number on a poster. I want to know if I can get up to \$2,364 from the government."

YOU: "The \$2,364 is for a special tax credit for working families with children, called the EIC. May I ask you a few questions to see if you might be eligible?"

START HERE



SCHEDULE EIC
(Form 1040A or 1040)

Department of the Treasury
Internal Revenue Service

Earned Income Credit

- ▶ Attach to Form 1040A or 1040.
- ▶ See Instructions for Schedule EIC.

OMB No. 1545-0074

1993

Attachment
Sequence No. **43**

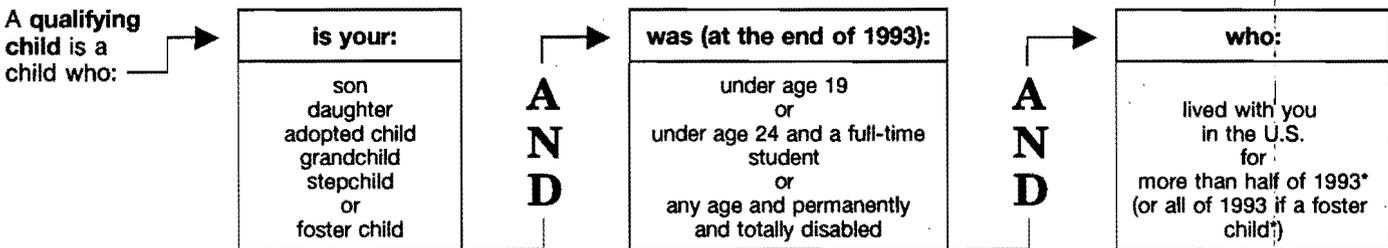
Name(s) shown on return

Your social security number

Want the IRS to figure the credit for you? Just fill in this page. We'll do the rest.

General Information

- To take this credit ▶
- You **must** have worked and earned **less than \$23,050, and**
 - Your adjusted gross income (Form 1040A, line 16, or Form 1040, line 31) **must be less than \$23,050, and**
 - Your filing status can be any status **except** married filing a separate return, **and**
 - You **must** have at least one qualifying child (see boxes below), **and**
 - You **cannot** be a qualifying child yourself.



*If the child didn't live with you for the required time (for example, was born in 1993), see the **Exception** on page 64 (1040A) or page EIC-2 (1040).

Do you have at least one qualifying child?	No	▶ You cannot take the credit. Enter "NO" next to line 28c of Form 1040A (or line 56 of Form 1040).
	Yes	▶ Go to line 1. But if the child was married or is also a qualifying child of another person (other than your spouse if filing a joint return), first see page 64 (1040A) or page EIC-2 (1040).

Information About Your Qualifying Child or Children

If more than two qualifying children, see page 65 (1040A) or page EIC-2 (1040).	(b) Child's year of birth	For a child born before 1975, check if child was—		(e) If child was born before 1993, enter the child's social security number	(f) Child's relationship to you (for example, son, grandchild, etc.)	(g) Number of months child lived with you in the U.S. in 1993
1(a) Child's name (first, initial, and last name)		(c) a student under age 24 at end of 1993	(d) disabled (see booklet)			
	19			:		
	19			:		

Caution: If a child you listed above was born in 1993 and you chose to claim the credit or exclusion for child care expenses for this child on **Schedule 2 (Form 1040A) or Form 2441 (Form 1040)**, check here

Do you want the IRS to figure the credit for you?	Yes	▶ Fill in lines 2 and 3; and enter the amount from Form 1040A, line 16, or Form 1040, line 31, here. ▶ \$
	No	▶ Go to page 2 on the back now.

Other Information

2 Enter any nontaxable earned income (see page 65 (1040A) or page EIC-2 (1040)) such as military housing and subsistence or contributions to a 401(k) plan. Also, list type and amount here. ▶	2	
3 Enter the total amount you paid in 1993 for health insurance that covered at least one qualifying child. See instructions	3	

If you want the IRS to figure the credit for you:	STOP	▶ Attach this schedule to your return.
		• If filing Form 1040A , print "EIC" on the line next to line 28c.
		• If filing Form 1040 , print "EIC" on the dotted line next to line 56.

Figure Your Basic Credit

4	Enter the amount from line 7 of Form 1040A or Form 1040. If you received a taxable scholarship or fellowship grant, see instructions	4		
5	Enter any nontaxable earned income (see page 65 (1040A) or page EIC-2 (1040)) such as military housing and subsistence or contributions to a 401(k) plan. Also, list type and amount here. ▶	5		
6	Form 1040 Filers Only: If you were self-employed or used Sch. C or C-EZ as a statutory employee, enter the amount from the worksheet on page EIC-3	6		
7	Earned income. Add lines 4, 5, and 6. If \$23,050 or more, you cannot take the credit. Enter "NO" next to line 28c of Form 1040A (or line 56 of Form 1040) ▶	7		
8	Use line 7 above to find your credit in TABLE A on pages 69 and 70 (1040A) or pages EIC-4 and 5 (1040). Enter here	8		
9	Adjusted gross income. Enter the amount from Form 1040A, line 16, or Form 1040, line 31 ▶	9		
10	Is line 9 \$12,200 or more? YES. Use line 9 to find your credit in TABLE A on pages 69 and 70 (1040A) or pages EIC-4 and 5 (1040). Enter here NO. Go to line 11.	10		
11	Basic credit: • If you answered "YES" to line 10, enter the smaller of line 8 or line 10. • If you answered "NO" to line 10, enter the amount from line 8. Next: To take the health insurance credit, fill in lines 12–16. To take the extra credit for a child born in 1993, fill in lines 17–19. Otherwise, go to line 20 now.	11		

Figure Your Health Insurance Credit

12	Use line 7 above to find your credit in TABLE B on page 71 (1040A) or page EIC-6 (1040). Enter here	12		
13	Is line 9 above \$12,200 or more? YES. Use line 9 to find your credit in TABLE B on page 71 (1040A) or page EIC-6 (1040). Enter here. NO. Go to line 14.	13		
14	• If you answered "YES" to line 13, enter the smaller of line 12 or line 13. • If you answered "NO" to line 13, enter the amount from line 12.	14		
15	Enter the total amount you paid in 1993 for health insurance that covered at least one qualifying child. See instructions	15		
16	Health insurance credit. Enter the smaller of line 14 or line 15	16		

Figure Your Extra Credit for Child Born in 1993

Take this credit **only** if you did not take the credit or exclusion for child care expenses on **Schedule 2** or **Form 2441** for the same child.

TIP: You can take **both** the **basic credit** and the **extra credit** for your child born in 1993.

17	Use line 7 above to find your credit in TABLE C on page 72 (1040A) or page EIC-7 (1040). Enter here	17		
18	Is line 9 above \$12,200 or more? YES. Use line 9 to find your credit in TABLE C on page 72 (1040A) or page EIC-7 (1040). Enter here NO. Go to line 19.	18		
19	Extra credit for child born in 1993: • If you answered "YES" to line 18, enter the smaller of line 17 or line 18. • If you answered "NO" to line 18, enter the amount from line 17.	19		

Figure Your Total Earned Income Credit

20	Add lines 11, 16, and 19. Enter the total here and on Form 1040A, line 28c (or on Form 1040, line 56). This is your total earned income credit ▶	20		
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TIP: Do you want the earned income credit added to your take-home pay in 1994? To see if you qualify, get **Form W-5** from your employer or by calling the IRS at 1-800-829-3676.

EIC Participation for Tax Year 1992, by State



Below are preliminary IRS data on the number of families receiving the EIC for tax year 1992, by state. Some 13.8 million families obtained EIC benefits totalling \$13 billion. Data for Maryland and Washington, D.C. are combined, as separate data are not available.

<u>State</u>	<u>Families Getting EIC</u>	<u>Amount</u>
Alabama	354,452	\$362,245,710
Alaska	16,801	12,800,801
Arizona	238,394	228,867,724
Arkansas	189,385	183,560,899
California	1,996,940	1,937,213,454
Colorado	156,857	143,553,315
Connecticut	74,498	61,036,979
Delaware	33,511	31,469,064
Florida	816,113	788,767,181
Georgia	497,340	488,663,446
Hawaii	36,029	30,137,828
Idaho	58,181	54,067,031
Illinois	554,652	509,801,077
Indiana	264,961	243,050,156
Iowa	108,658	95,981,251
Kansas	107,385	94,964,238
Kentucky	214,998	196,743,420
Louisiana	367,738	361,144,901
Maine	54,088	46,469,563
Maryland/DC	272,595	251,018,392
Massachusetts	160,588	136,943,840
Michigan	353,602	306,983,040
Minnesota	144,412	125,204,296
Mississippi	293,817	301,197,520
Missouri	272,519	249,142,288
Montana	43,110	38,707,289
Nebraska	72,129	65,190,463
Nevada	71,579	65,903,572
New Hampshire	36,470	31,860,244
New Jersey	324,019	294,339,762
New Mexico	124,279	116,699,416
New York	794,767	720,148,613
North Carolina	493,210	480,074,066
North Dakota	26,266	23,423,948
Ohio	463,222	409,715,601
Oklahoma	195,011	180,305,589
Oregon	132,926	121,694,810
Pennsylvania	453,711	396,738,636
Rhode Island	34,828	30,854,653
South Carolina	290,009	288,524,260
South Dakota	36,377	33,447,185
Tennessee	355,472	337,022,878
Texas	1,364,779	1,326,273,032
Utah	75,319	69,702,450
Vermont	23,345	19,852,395
Virginia	308,312	292,383,842
Washington	194,064	171,460,920
West Virginia	95,663	86,381,841
Wisconsin	178,127	157,954,977
Wyoming	22,469	20,029,725
U.S. Total	13,867,475	\$13,034,558,844

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New EIC Law Will Increase and Simplify Credit, Expand Eligibility

On August 10, 1993, President Clinton signed into law a bill that will greatly expand the Earned Income Credit. Beginning with tax year 1994, most eligible families will receive a significantly larger EIC benefit, while very low-income workers without children will become eligible for the first time. The new law also will simplify the EIC by eliminating the extra credits for families paying health insurance premiums for a child and for families with a child under age one.

Law Changes Do *Not* Affect This Year's Campaign

The recent EIC improvements signed into law by President Clinton do not begin to take effect until tax year 1994. Because the current EIC campaign focuses on encouraging families to file their tax year 1993 returns, organizations running EIC campaigns need not be concerned at the moment about mastering the details of the new law. Next year's EIC kit will fully explain the new, expanded EIC.

Higher benefit levels

Many families will receive much higher EIC benefits under the new law. In fact, when the expansion is fully in place, some 11 million families will receive increases totalling more than \$6 billion per year. To grasp the scope of these increases, it is useful to compare EIC benefits under the new law with the benefit levels that would have been paid in tax year 1994 and beyond under the old law.

Families with two or more children

Under the old law, a family with two or more children would have received an EIC in tax year 1994 that equaled 25 percent of its first \$7,990 in earnings. This would have produced a maximum EIC of \$1,998. Under the new law, this same family will receive a credit of \$2,528 that year (see table on page three).

By tax year 1996, when the expansion is fully in place, the maximum credit for a family with two or more children will be \$3,370. Starting that year, an eligible family will receive an EIC benefit equaling \$4 for each \$10 it earns until its earnings hit \$8,425. The EIC will remain at the maximum level of \$3,370 for families with incomes between \$8,425 and \$11,000. Once income exceeds \$11,000, the EIC will begin to decline and will phase out entirely at \$27,000.

Families with one child

The new law contains a much smaller increase for families with one child. Under the prior EIC law, a family with one child would have received an EIC benefit in 1994 that equaled 23 percent of its first \$7,990 earnings, for a maximum credit of \$1,838. By tax year 1995, when the new structure is phased in fully, a family with one child will receive an EIC equaling 34 percent of its first \$6,000 in earnings, producing a maximum credit of \$2,040. The income limit for families with one child will be \$23,760.

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PRIORITIES

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HANDSNET #HN0026

Newly eligible: very low-income workers without children

The new also breaks new ground by extending the EIC to very low-income workers without children. Beginning in tax year 1994, workers over age 24 but under age 65 who have no children and income below \$9,000 will qualify for a small EIC benefit. About 4.5 million such workers are expected to qualify.

Working singles and couples without children will receive a credit equal to 7.65 percent of the first \$4,000 they earn. Thus, the maximum credit will be \$306. It will stay at \$306 for those with incomes between \$4,000 and \$5,000. It then will phase down at a 7.65 percent rate between \$5,000 and \$9,000. The average credit for childless workers will be about \$170.

A simpler EIC

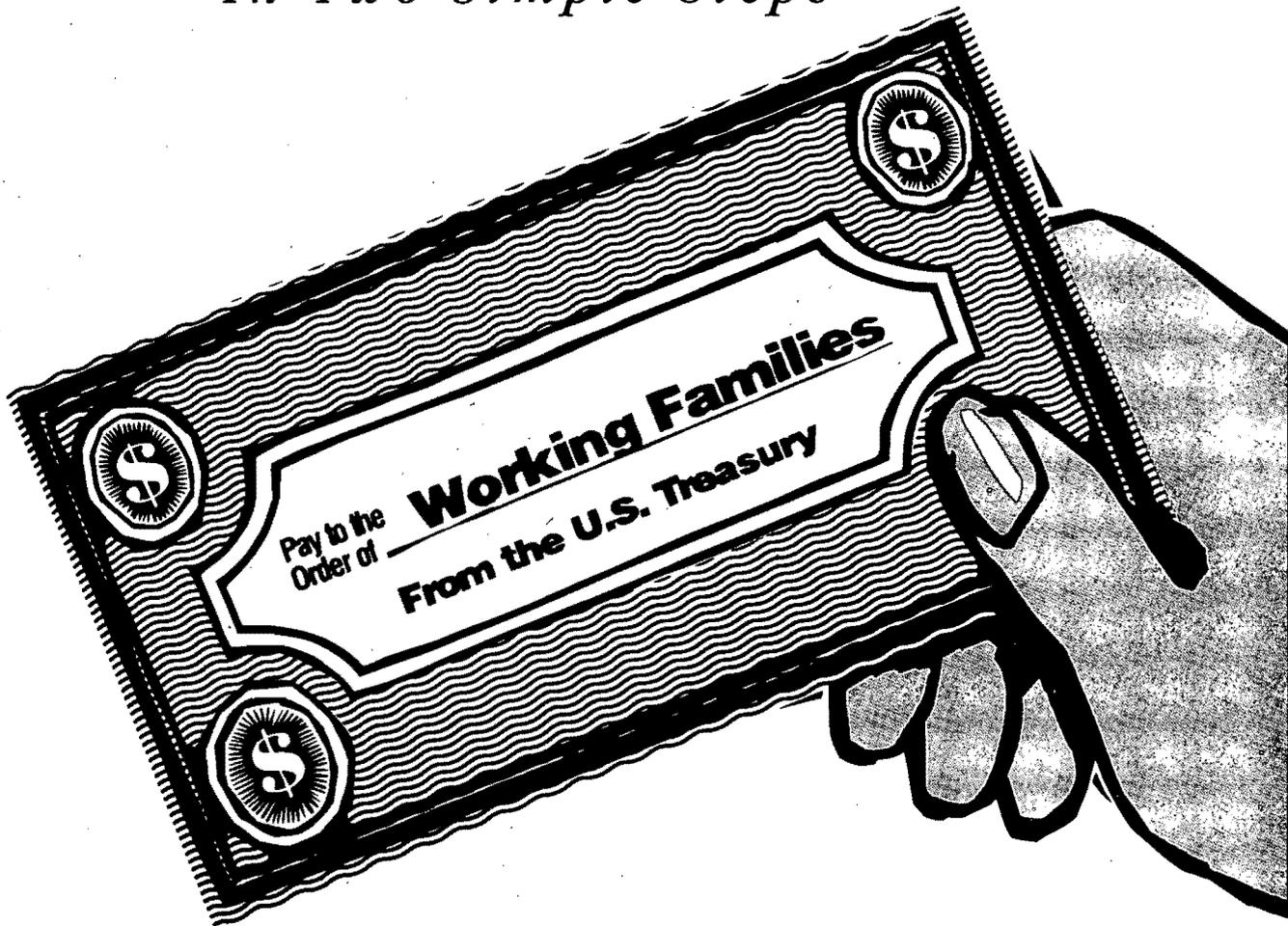
The new law simplifies the EIC by canceling the two supplemental EIC credits — credits for families with a child under age one and for families paying health insurance premiums for a child. This will allow the IRS to simplify Schedule EIC. The savings from canceling these extra credits will be used to pay part of the cost of expanding the basic credit.

The New EIC for Tax Years 1994 and Beyond (in 1994 dollars)

<u>Family type</u>	<u>Credit rate</u>	<u>Maximum benefit</u>	<u>Income range for maximum benefit</u>	<u>Phase-out rate</u>	<u>Income cut-off</u>
Tax year 1994					
Families with 1 child	26.30%	\$2,038	\$7,750 to 11,000	15.98%	\$23,760
Families with 2 or more kids	30.00	2,528	8,425 to 11,000	17.68	25,300
Workers without kids	7.65	306	4,000 to 5,000	7.65	9,000
Tax year 1995					
Families with 1 child	34.00%	\$2,040	\$6,000 to 11,000	15.98%	\$23,760
Families with 2 or more kids	36.00	3,033	8,425 to 11,000	20.22	26,000
Workers without kids	7.65	306	4,000 to 5,000	7.65	9,000
Tax year 1996 and beyond					
Families with 1 child	34.00%	\$2,040	\$6,000 to 11,000	15.98%	\$23,760
Families with 2 or more kids	40.00	3,370	8,425 to 11,000	21.06	27,000
Workers without kids	7.65	306	4,000 to 5,000	7.65	9,000
<p>Note: The benefit expansion for families with two or more children will phase in over three years and take full effect in tax year 1996. For families with one child, the benefit expansion will take place over two years and take full effect in tax year 1995. The new benefit for childless workers takes full effect in tax year 1994.</p>					

Get Up to \$2,364

In Two Simple Steps



Did you work during 1993—and did your family earn less than \$23,050?

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

If so, you may be eligible for up to \$2,364 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, not Form 1040EZ)
- 2** fill out "Schedule EIC" and attach it to your tax return

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.

For more information or to find out about getting tax forms filled out for free, call the IRS toll free at 1-800-829-1040.

For text telephone access (TTY/TT/TDD), call 1-800-829-4059.



**THE 1994
EARNED
INCOME
CREDIT
CAMPAIGN**

Obtenga hasta \$2,364

en dos pasos sencillos



¿Trabajó durante 1993—y ganó su familia menos de \$23,050?

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

Si fue así, puede tener derecho hasta \$2,364 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, no el formulario 1040EZ)
- 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 o para averiguar cómo obtener ayuda gratis para llenar los formularios de impuestos, llame gratuitamente al Servicio de Recaudación de Impuestos (IRS) al teléfono 1-800-829-1040. En California, llame 1-800-829-4672.

Para acceso a texto telefónico (TTY/TT/TDD), llame a 1-800-829-4059.

1994 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 December 1993 or early 1994 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 \$2,364 in Two Simple Steps

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If so, you may be eligible for up to \$2,364 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. Only in rare cases will the EIC lower benefits in programs like AFDC, food stamps, SSI, Medicaid, and public or subsidized housing.

For more information or to find out about getting tax forms filled out for free, 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. Solamente en casos raros ocurre que el Crédito EIC reduce los beneficios en programas tales como AFDC (Ayuda para familias con niños menores), estampillas para alimentos, SSI, Medicaid, y vivienda pública o subvencionada.

Para más información sobre el Crédito EIC o para averiguar cómo obtener ayuda gratis para llenar los formularios de impuestos, llame gratuitamente a la Oficina del IRS al 1-800-829-1040. En California, llame 1-800-829-4672. 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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Earned Income Credit Advance Payment Certificate

1994

Instructions

Changes To Note

If you do not have a qualifying child (defined later), you may be able to claim the earned income credit on your 1994 tax return. But you **cannot** get advance payments of the credit unless you have a qualifying child. Also, the extra credit for a child born during the year and the health insurance credit are no longer allowed.

Purpose

Use Form W-5 if you are eligible to get part of the earned income credit (EIC) in advance with your pay and choose to do so. If you choose not to get advance payments, you can still claim the EIC on your 1994 tax return.

What Is the EIC?

The EIC is a refundable tax credit for certain workers. For 1994, the EIC can be as much as \$2,038 if you have one qualifying child; \$2,528 if you have more than one qualifying child; \$306 if you do not have a qualifying child.

Who Is Eligible To Get Advance EIC Payments?

You are eligible to get advance EIC payments if **all three** of the following apply:

1. You have a qualifying child.
2. You expect that your 1994 earned income and adjusted gross income will each be less than \$23,755 (including your spouse's income if you expect to file a joint return).
3. You expect to be able to claim the EIC for 1994. To find out if you may be

able to claim the EIC, answer the questions on page 2. If you expect to file **Form 2555**, Foreign Earned Income, or **Form 2555-EZ**, Foreign Earned Income Exclusion, for 1994, you **cannot** claim the EIC.

How Do I Get Advance EIC Payments?

If you are eligible to get advance EIC payments for 1994, you may be able to get up to \$102 a month added to your take-home pay. To get advance EIC payments, fill in the Form W-5 at the bottom of this page. Then, detach it and give it to your employer. If you get advance payments, you must file a 1994 Form 1040A or Form 1040.

You may have only **one** Form W-5 in effect with a current employer at one time. If you and your spouse are both employed, each of you should file a separate Form W-5.

This Form W-5 expires on December 31, 1994. If you are eligible to get advance EIC payments for 1995, you must file a new Form W-5 next year.

Note: You may be able to get a larger credit when you file your 1994 return. For details, see **Additional Credit** on page 2.

Who Is a Qualifying Child?

Any child who meets **all three** of the following conditions is a **qualifying child**:

1. The child is your son, daughter, adopted child, stepchild, foster child, or a descendant (for example, your grandchild) of your son, daughter, or adopted child.

Note: An **adopted child** includes a child placed with you by an authorized placement agency for legal adoption even if the adoption isn't final. A **foster child** is any child you cared for as your own child.

2. The child is under age 19 or a full-time student under age 24 at the end of 1994, or is permanently and totally disabled.

3. The child either lives with you in the United States for more than half of 1994 (for all of 1994 if a foster child) OR was born, or died, in 1994 and your home in the United States was the child's home for the entire time he or she was alive.

Note: Temporary absences such as for school, medical care, or vacation count as time lived with you.

Married Child.—If the child is married at the end of 1994, the child is a qualifying child only if you may claim the child as your dependent or the **Exception** below applies to you.

Exception. You are the custodial parent and would be able to claim the child as your dependent but the noncustodial parent claims the child as a dependent because—

- You signed **Form 8332**, Release of Claim to Exemption for Child of Divorced or Separated Parents, or a similar statement, agreeing not to claim the child for 1994, or
- You have a pre-1985 divorce decree or separation agreement that allows the noncustodial parent to claim the child and he or she gives at least \$600 for the child's support in 1994.

(Continued on page 2)

Give the lower part to your employer; keep the top part for your records.

Detach along this line

Type or print your full name

Earned Income Credit Advance Payment Certificate

► This certificate expires on December 31, 1994.

1994

Your social security number

Note: If you get advance payments of the earned income credit for 1994, you must file a 1994 Form 1040A or Form 1040. To get advance payments, your filing status must be any status **except** married filing a separate return and you must have a qualifying child.

	Yes	No
1 I expect to be able to claim the earned income credit for 1994, I do not have another Form W-5 in effect with any other current employer, and I choose to get advance EIC payments.		
2 Do you have a qualifying child?		
3 Are you married?		
4 If you are married, does your spouse have a Form W-5 in effect for 1994 with any employer?		

Under penalties of perjury, I declare that the information I have furnished above is, to the best of my knowledge, true, correct, and complete.

Signature ►

Date ►

★ ADVANCE EARNED INCOME ★

★ ★ ★ CREDIT ★ ★ ★

How To Make AEIC Payments:

- 1.** When you receive a properly completed Form W-5, review the certificate to determine:
 - a.** Whether the employee is married or single.
 - b.** Whether an employee's spouse has a Form W-5 in effect.

- 2.** Based on this information and the amount of the employees wages for the pay period, determine the amount of AEIC payments by using the tables in Circular E, Employee's Tax Guide. See the instructions in Circular E for details on using these tables.
 - ◆ You are required to begin making the payments the pay period ending on or after the date the employee gives you Form W-5.
 - ◆ The AEIC payments are not wages and are not subject to social security and Medicare taxes or income tax withholding.
 - ◆ Use the income, social security, and Medicare taxes you withheld from your employees to make these AEIC payments. You are not required to use your own funds to make these payments.

- 3.** Report the total AEIC payments for the year in box 9 of Form W-2. Do not include the AEIC in box 1 of Form W-2 as "wages . . ." Also report the AEIC payments on Form 941 or Form 943 (see the specific form instructions for details).

See Circular E, Employer's Tax Guide for more detailed instructions concerning the advance earned income credit.

ADVANCE EARNED INCOME

CREDIT

Employer Requirements:

1. You are required to notify employees who have no income tax withheld that they may be eligible for a tax refund because of the EIC. You can do this by providing the employee one of the following:
 - a. Copy C of the IRS Form W-2 (which has an EIC notification statement on the back), or
 - b. **Notice 797**, *Possible Federal Tax Refund Due to the Earned Income Credit (EIC)*.
2. If an employee gives you a **Form W-5**, *Earned Income Credit Advance Payment Certificate*, you are required to add advance earned income credit (AEIC) payments to their wages.
 - ◆ Form W-5 is valid for one year only.
 - ◆ The employee may change or revoke the W-5 at any time.
 - ◆ Do not make AEIC payments if the W-5 is invalid.

W-5 is invalid if:

- incomplete,
- unsigned, or
- the wording on the form is altered in any way.

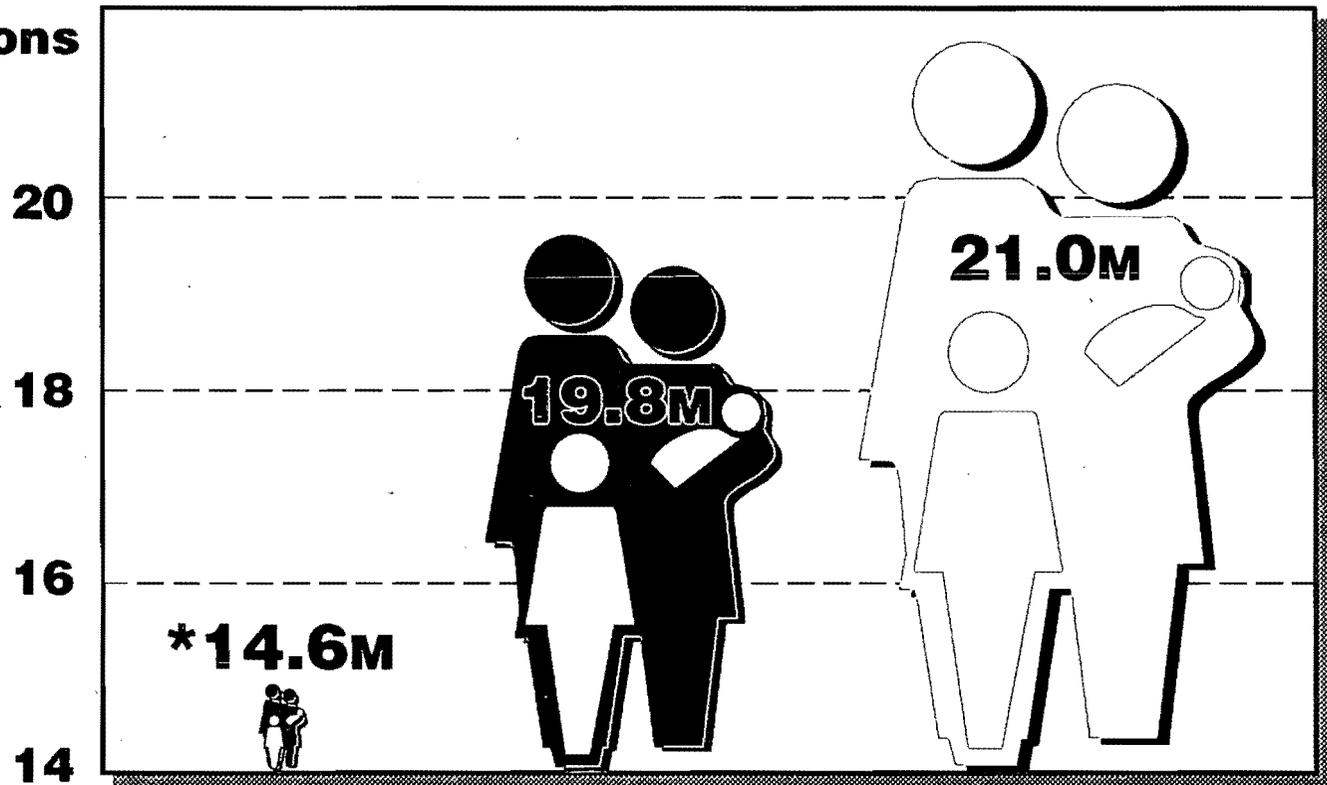
Caution.—You will be subject to penalties if you fail to make AEIC payments after receiving a valid Form W-5. The penalty will be equal to the amount of unpaid AEIC payments.



EARNED INCOME TAX CREDIT EXPANSION

*Projected eligibles for tax year 1993—1997***

Millions



Tax Year

..... 1993



1994



1997



**Tax year 1993: Workers without children were not eligible for the EIC.*

***Based on (fiscal year) figures provided by Department of Treasury.*



EARNED INCOME TAX CREDIT EXPANSION

EITC is the cornerstone of the Administration's welfare reform effort, and with the passage of OBRA '93, the Administration achieved one of its principal goals: a significant expansion of EITC that will help lift many families out of poverty. Over the next three years, the expansion increases the maximum credit available to families with two or more children and makes the credit available to childless workers.

- For tax year 1992, 13.95 million workers filed for EITC.
- For tax year 1993, 14.6 million workers are projected to claim EITC.
- For tax year 1994, the expansion will allow 5.2 million more workers to claim EITC.
- By tax year 1997, 21 million workers are expected to claim EITC.