



# Office of Temporary and Disability Assistance

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## Informational Letter

### Section 1

<b>Transmittal:</b>	17-INF-02
<b>To:</b>	Social Services District Commissioners
<b>Issuing Division/Office:</b>	Employment and Income Support Programs
<b>Date:</b>	January 12, 2017
<b>Subject:</b>	Changes in the Earned Income Tax Credit (EITC) and Summary of Other Available Federal and State Tax Credits for Tax Year 2016
<b>Suggested Distribution:</b>	Temporary Assistance Directors SNAP Directors Employment Coordinators
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<b>Attachments:</b>	None
<b>Attachment Available Online:</b>	<input type="checkbox"/>

### Filing References

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
06-ADM-12	16-INF-02	352.20(g)	131-n	TASB 19(D)(11) FSSB 17(C)(24)	PUB 4786 PUB 4951 GIS 11 TA/DC002

### Section 2

#### I. Purpose

The purpose of this Informational Letter (INF) is to inform social services districts (districts) of the changes in the Earned Income Tax Credit (EITC) and provide districts with a summary of other available federal and State tax credits for Tax Year 2016.

Districts are encouraged to inform clients and other low-income households of the potential availability of tax credits, the need to file federal and State income tax returns to claim these tax credits, and of the free tax filing services available through Volunteer Income Tax Assistance Sites (VITA) and Facilitated Self Assistance (FSA) sites. Details on how to obtain EITC outreach materials may be found at Part III on this INF – Program Implications.

## II. Background

The EITC continues to be a very important potential tax benefit and work support available to employed low-income households. As in previous years, New York State, New York City and federal EITCs are considered exempt both as income and as a resource for purposes of Temporary Assistance (TA) and Home Energy Assistance Program (HEAP) eligibility.

In addition, New York State, New York City, and federal EITCs are excluded as income or a resource for purposes of Supplemental Nutrition Assistance Program (SNAP) eligibility.

These tax credits are an important anti-poverty tool which can dramatically increase the economic resources available to eligible lower-income workers. Workers who qualify for the EITCs and file both State and federal tax returns can receive tax credits potentially totaling as much as \$8,427(including NYC EITC). In addition, households that qualified for the credit during the past three years, but who never claimed the EITC for such years, may file retroactively for the prior three years' EITCs.

The program implications of EITC and other tax credits on TA and SNAP are detailed in GIS 11 TA/DC002.

Almost 1.7 million New York households claimed \$4.1 billion in federal EITC and \$1.03 billion in State EITC (for residents) for Tax Year 2015. The average federal claim was \$2,366. Research indicates that 20-25 percent of those who are eligible each year fail to claim their credit, either because they are unaware of it or don't know how to obtain it.

While OTDA's goal is to reach as many eligible low-income taxpayers as possible, particular target populations should include:

- Those receiving TA, SNAP or HEAP benefits who are, or were working during 2016, including newly employed individuals who have little or no previous labor force experience and may not be familiar with the EITC and other available tax benefits;
- Working non-parent relative caregivers who are raising EITC-eligible children in their home; and,
- Eligible immigrant households that may mistakenly believe they are ineligible for the EITC.

The EITCs can significantly increase the available income of low-income wage earners. For example, for a family with two children and one wage earner holding a full-time minimum wage job, the State and federal EITCs can add over one-third to that person's earnings. Therefore, it is important for district staff to discuss the benefits of EITCs and encourage households to file for them. District staff should also encourage households to take advantage of VITA sites for free tax preparation assistance or FSA sites to complete and file taxes on their own.

## III. Program Implications

### **EARNED INCOME TAX CREDIT**

The maximum credits have increased and are as follows:

- Three or more children: \$6,269 (Federal) + \$1,881 (State) = \$8,150
- Two children: \$5,572 (Federal) + \$1,672 (State) = \$7,244
- One child: \$3,373 (Federal) + \$1,012 (State) = \$4,385
- No children: \$506 (Federal) + \$152 (State) = \$658

The qualifying earned and adjusted gross income limits for EITCs have increased and are as follows:

- Three or more qualifying children: \$47,955 (or \$53,505 if married filing jointly)
- Two qualifying children: \$44,648 (or \$50,198 if married filing jointly)
- One qualifying child: \$39,296 (or \$44,846 if married filing jointly)
- No qualifying children: \$14,880 (or \$20,430 if married filing jointly)

**PLEASE NOTE:** This year the Internal Revenue Service will **not** be issuing any refunds that are claiming the Earned Income Credit and/or Additional Child Tax Credit prior to February 15, 2017, regardless of when and how the return was filed.

### **NEW YORK CITY EITC**

New York City full-year residents and New York City part-year residents who claim the federal EITC may also claim a New York City EITC. A New York State income tax Form IT-215 must be completed and attached to the State income tax return in order to claim the State and City credit. The City credit is equal to 5% of the allowable federal EITC or up to \$313 for an eligible household with three or more children, up to \$279 for a household with two children, up to \$169 for a household with one child, and up to \$25 for a household with no children.

### **NONCUSTODIAL PARENT NEW YORK STATE EARNED INCOME CREDIT (Noncustodial EIC)**

New York State has a tax credit that is specifically available as an economic support for low-income noncustodial parents who earned less than \$39,296 in 2016 and who are at least 18 years of age that is worth up to \$1,265. The credit supplements the earning of qualified noncustodial parents, which can help them become more involved in the economic and social well-being of their children. A State Form IT-209 Claim for Noncustodial Parent New York State Earned Income Credit must be filed with Form IT-201 to claim the NCP EIC.

To be qualified, a noncustodial parent must:

- Be a full-year New York resident taxpayer;
- Be 18 years of age or older;
- Be a noncustodial parent and have a child(ren) that does not reside with him/her and was under 18 years old;
- Have a child support order payable through a New York State Child Support Collection Unit (SCU) for at least one-half year; and,
- Have paid 100% of the current child support obligation due for any tax year in which the Noncustodial EIC is claimed.

Further detail on the Noncustodial EIC may be found in 06-ADM-12 or by visiting [https://www.childsupport.ny.gov/dcse/non\\_custodial\\_parent\\_services.html](https://www.childsupport.ny.gov/dcse/non_custodial_parent_services.html).

### **EITC AND CHILD ONLY CASES**

Child only cases are a significant portion of nearly every district's caseload. Of these, many are non-parent caregiver cases in which the payee is a grandparent or other relative, who is not receiving TA and who has earned income. It is important to note that the children in these cases may meet the definition of "qualifying child(ren)" for EITC. OTDA strongly suggests that, in such cases in which the payee has earned income, an effort be made to make these payees aware of

their potential eligibility for the EITCs and to refer them to the IRS website or to a local VITA site if one is available.

## **FEDERAL CHILD TAX CREDIT AND NEW YORK STATE EMPIRE STATE CHILD CREDIT**

The federal Child Tax Credit, worth up to \$1,000 for each qualifying child under age 17, is a nonrefundable credit used to reduce the amount of tax liability. In some cases the federal Child Tax Credit may exceed the amount of tax liability and the taxpayer may be able to claim the remainder in the form of an Additional Child Tax Credit, which is a refundable credit. The Additional Child Tax Credit may be claimed by filing Form 8812: Additional Child Tax Credit with the taxpayer's federal return.

The minimum earned income amount used to calculate the Additional Child Tax Credit remains at \$3,000 for Tax Year 2016.

The Empire State Child Credit is a credit for children ages 4-16. Taxpayers can claim a credit equal to the greater of \$100 multiplied by the number of children who qualify for the federal Child Tax Credit or 33% of the taxpayer's federal Child Tax Credit. State Form IT-213 is used to claim the credit.

In addition to the EITCs, a working family can claim both the federal Child Tax Credit and the NYS Empire State Child Credit.

## **CHILD AND DEPENDENT CARE CREDIT**

The federal Child and Dependent Care Credit is a tax benefit that helps a qualifying family pay for child care or for the care of a spouse or adult dependent that is incapable of caring for him or herself. The credit ranges from 20% to 35% of the taxpayer expense. The percentage is based on the taxpayer's earned income and adjusted gross income. The credit may be claimed by completing and attaching Form 2442 to Form 1040 or Form 1040A.

The New York State Child and Dependent Care credit is a minimum of 20% and as much as 110% of the federal credit, depending upon the amount of New York State adjusted gross income. Use Form IT-216 to claim the State credit. A New York City Child and Dependent Care Credit is also available for New York City residents and may be claimed by using Form IT-216.

The federal Child and Dependent Care Credit is a nonrefundable credit, which is a dollar-for-dollar reduction of the tax liability. A non-refundable credit can only reduce the tax liability to zero. However, both the New York State and New York City credits are refundable so that the credit amount that exceeds tax liability is refunded to the taxpayer.

## **EDUCATION CREDITS**

There are two education credits that may be claimed by eligible students completing federal Form 8863: Education Credits (American Opportunity and Lifetime Learning Credits).

*American Opportunity Credit:* This credit can be applied to the first four years of postsecondary education. The maximum credit that can be claimed each year per student is \$2,500. Forty percent (40%) of the credit is refundable, which means that a taxpayer may receive up to \$1,000 even if they have no tax liability.

*Lifetime Learning Credit:* This credit is available for students at any point in their postsecondary education and for courses to acquire or improve job skills. The maximum credit is \$2,000 per tax return, regardless of the number of eligible students in the family.

*New York State College Tuition Credit or Itemized Deduction:* This is a New York State tax credit for qualified tuition expenses that includes only tuition paid for the undergraduate enrollment or attendance of the student at an institution of higher education. The refundable credit can be as much as \$400 per student for NYS residents. For tax year 2016, the maximum itemized deduction is \$10,000 for each eligible student. The college tuition itemized deduction may offer a greater tax savings if the taxpayer itemized deductions on their federal return. Taxpayers should use the worksheets in the instructions (IT-272-I instructions) to compute their deduction and determine if the credit or deduction is better for them.

## **CLAIMING TAX CREDITS FOR PREVIOUS YEARS**

Taxpayers who were eligible for, but did not claim State and federal tax credits for the last three years (Tax Years 2013, 2014 and 2015) can claim them by completing Form 1040X: Amended U.S. Individual Income Tax Return and attaching it to a copy of the tax return filed for that year. If a federal return was not filed, the taxpayer will need to file his or her taxes using the appropriate forms for that year. Some VITA sites may be able to complete the amendment for the taxpayer. The taxpayer should check with their local VITA site. Please note: Taxpayers who obtain Social Security numbers after the tax year are not able to claim EITC for years prior.

The New York State EITC likewise can be claimed for the last three years by filing the Form IT-201X. Taxpayers must attach a copy of every attachment (including any New York State credit form) that was submitted with their original return to their amended return, even if it has not changed as a result of the amendment. Taxpayers need to complete and submit the IT-215: Claim for Earned Income Credit for the appropriate year, if tax forms were filed for that year. If a New York State tax return was not filed for the given year, they must be filed at the same time using IT-201: Resident Income Tax return.

## **FREE TAX PREPARATION, E-FILING AND TAXPAYER ASSISTANCE**

Individuals may obtain specific federal tax information on the IRS Website: <http://www.irs.gov> or by calling the IRS toll free at: (800) 829-1040. New York State taxpayer assistance information is available at: <http://www.tax.ny.gov> or by calling the New York State Department of Taxation and Finance at: (518) 457-5181. Many workers, especially those who are new to the workforce, are hesitant to complete tax filings on their own because they are intimidated by the array of forms or are unfamiliar with the process. Such workers often seek help from commercial tax preparers and pay a fee for this service, which can significantly reduce the net amount of any refund. In addition, for additional fees and at significantly higher rate of interest, some paid preparers still offer refund anticipation loans. Again, these fees reduce the net amount of the refund and should be discouraged in most circumstances in favor of waiting for full refunds due. A preferable alternative is for individuals to have their **tax forms completed and e-filed for free** by visiting their local VITA sites. Most sites provide e-filing and if used, that taxpayer can receive their refund and/or credits direct deposited into their bank account. VITA sites provide these services at no charge for qualified individuals and families with a total income less than \$54,000 for 2016. From the end of January through April 18, 2017, VITA sites will operate within every county in the State.

Locations of VITA sites will be publicized in the media or can be obtained by calling the toll free IRS telephone number: (800) 906-9887 or by entering zip code information on the IRS website at: <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers>. The list maintained by the IRS only lists sites currently active so taxpayers should check once the filing

season has started to find the most comprehensive listing. OTDA recommends that district workers know where VITA sites are located in their districts, and offer this information when encouraging families to apply for the EITC and other credits.

Taxpayers with annual income of less than \$64,000 can also file both their State and federal tax returns at a Facilitated Self Assistance (FSA) site for free. These sites have computers and reference materials available as well as a volunteer able to help the taxpayer navigate tax software. The NYS Department of Tax and Finance will be offering multiple FSA sites throughout the State. Locations of these sites can be found at: <http://www.tax.ny.gov/fsa>. Districts interested in hosting an FSA site at their offices should contact Bill Morrow at: (860) 519-4928 or [William.A.Morrow@irs.gov](mailto:William.A.Morrow@irs.gov) for more information about how to set up an FSA site.

Taxpayers with their own computer can visit and file through: <http://www.myfreetaxes.com>. This option permits one federal and up to 3 State e-file returns. Customers with an income above the limit for free filing will be charged a nominal fee.

## **OUTREACH AND PROMOTIONAL MATERIALS**

Outreach and promotional materials produced by the Center on Budget and Policy Priorities can be downloaded from their website: <http://www.eitcoutreach.org>. Within the kit are flyers and envelope stuffers available in both English and Spanish. Detailed information on tax credits and outreach strategies are also available for download from the site.

In addition, OTDA and the New York State Department of Tax and Finance have once again revised PUB-4786: “*Get all the Credit You Deserve with EITC.*” This publication provides an overview of the credit, eligibility criteria and income and benefit levels. PUB-4786A: “Get all the Credit you Deserve with EITC,” is the brochure’s corresponding poster that can be used to assist with EITC outreach efforts. Details regarding how to order these publications are included in the Forms Information section.

## **myBenefits WEBSITE**

The OTDA website: <http://www.myBenefits.ny.gov> serves as a single internet portal for visitors to connect with benefits, services and work supports. Through this site visitors can learn about and be screened for an array of work supports from tax credits to SNAP, HEAP, WIC, health insurance, and school breakfast and lunch programs or they can apply on-line for SNAP benefits. Households living outside of New York City may also apply on-line for regular HEAP benefits. There are also direct links to “Resources for Working Families,” and to the IRS for a listing of VITA Sites by zip code. Because most taxpayers who are eligible for one work support are also likely to be eligible for many of the other supports, we strongly encourage local staff to provide their clients with this website address or access to the site with their clients to screen them for eligibility for other work supports or to apply for HEAP and SNAP benefits.

## **FORMS INFORMATION**

- The updated PUB-4786 and PUB-4786A: “Get all the Credit You Deserve with EITC,” are a brochure and poster printed by the New York State Office of Temporary and Disability Assistance and the Department of Taxation and Finance.
- The above referenced documents have been posted on the OTDA Intranet website at: [http://otda.state.nyenet/ldss\\_eforms/default.htm](http://otda.state.nyenet/ldss_eforms/default.htm) and may be available for downloading by local districts for reproduction locally, depending on print specifications.

- Upon the release of this INF all previous versions of the PUB-4786: “Get all the Credit You Deserve with EITC,” (brochure), and PUB-4786A: “Get all the Credit You Deserve with EITC,” (poster), should be destroyed and replaced with the revised 10/16 versions.
- Requests for printed copies of the EITC brochure (PUB-4786) and EITC poster (PUB-4786A), should be submitted to the New York State Office of Temporary and Disability Assistance (OTDA) using either the OTDA 876EL (DOC) or OTDA 876 EL (PDF) available at the link above and either mail, fax or e-mail to:

Office of Temporary and Disability and Disability Assistance  
BMS Document Services and Operational Support  
PO Box 1990  
Albany, NY 12201

E-mail: [forms.orders@otda.ny.gov](mailto:forms.orders@otda.ny.gov)

Social Services Districts (SSD) on-line forms ordering system: <http://formorders/>

Fax: (528) 402-0084

- Questions concerning ordering forms should be directed to BMS Document Services at: (518) 474-9522.

**Issued By**

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