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TO: **W-2 Agencies**
Income Maintenance Supervisors
Income Maintenance Lead Workers
Income Maintenance Staff
Workforce Development Boards
Job Center Leads and Managers
Training Staff
Child Care Coordinators

FROM: Janice Peters, Director
Bureau of Wisconsin Works
Division of Workforce Solutions

DWS OPERATIONS MEMO					
No:	07-11				
DATE:	02/01/2007				
FS	<input checked="" type="checkbox"/>	MA	<input checked="" type="checkbox"/>	SC	<input type="checkbox"/>
CTS	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>	W-2	<input checked="" type="checkbox"/>
FSET	<input checked="" type="checkbox"/>	EA	<input type="checkbox"/>	CF	<input checked="" type="checkbox"/>
JAL	<input type="checkbox"/>	JC	<input checked="" type="checkbox"/>	RAP	<input checked="" type="checkbox"/>
WIA	<input checked="" type="checkbox"/>	Other	EP	<input type="checkbox"/>	
PRIORITY: HIGH					

SUBJECT: Earned Income, Homestead, and Other Tax Related Income

CROSS REFERENCE: None

EFFECTIVE DATE: Immediately

PURPOSE

This operations memo provides Tax Year 2006 information and reminds Wisconsin Works (W-2) Agencies, Income Maintenance (IM) agencies, Workforce Development Boards (WDBs), and others of the importance of notifying program participants of the financial advantages of state and federal Earned Income Tax Credits, the State Homestead Credit (HC), and the federal Child Tax Credit for low income families. Additional information is provided on how to obtain a one time telephone federal excise tax refund, even if a federal tax return is not required. Information is also provided on where low income, non-English speaking, and elderly families can obtain free tax return preparation assistance in Wisconsin.

BACKGROUND

Studies by various organizations continue to support the value of obtaining additional income though federal and/or state tax credits for low income families. Unfortunately, many eligible low income families do not know about or know how to apply for these valuable tax credits. Ensuring that program participants are reminded of these possible sources of additional income is very important to improving both awareness and income for eligible families. Following is Tax Year 2006 information to agencies and their case workers for both work program and IM

program applicants and participants that can help improve awareness and provide additional income for eligible families.

A quick reference tax credit table is provided below. This table provides a summary of the maximum amounts of tax credits/refunds that can be available to eligible families to help reduce their tax burden and increase income.

SUMMARY TABLE OF 2006 MAXIMUM TAX CREDITS WITH INCOME ELIGIBILITY LIMITS

Number of Qualifying Children	Federal EITC	Wisconsin EIC (EITC)	EITC Income Limits (state and federal)	Wisconsin Homestead (HC)	WI HC Income Limits	Federal Child Tax Credit
Zero	Up to \$412	\$0	< \$12,120 < \$14,120 (Married)	Up to \$1,160	\$24,500	\$0
One	Up to \$2,747	Up to \$109	< \$32,001 < \$34,001 (Married)	Up to \$1,160	\$24,500	Up to \$1,000
Two	Up to \$4,536	Up to \$635	< \$36,348 < \$38,348 (Married)	Up to \$1,160	\$24,500	Up to \$2,000
Three or More	Up to \$4,536	Up to \$1,950	< \$36,348 < \$38,348 (Married)	Up to \$1,160	\$24,500	Up to \$1,000 per child

WISCONSIN AND FEDERAL EARNED INCOME TAX CREDITS

The most significant tax credit for eligible families is the earned income tax credit (EITC). For example, the maximum federal EITC is \$4,536 and the maximum state earned income credit is \$1,950 (See above table).

Working families who also expect to be eligible for the federal EITC in tax year 2007 may be able to receive part of this income as an advance tax credit in their 2007 paychecks. These workers need to fill out a federal W-5 form and give it to their employer for processing at the beginning of 2007. This allows a portion of the tax credit income to be obtained in pay checks versus having to wait until the end of the year to obtain the entire EITC at one time. Those obtaining the advance EITC payment are still required to complete EITC tax return information at the end of the tax year.

W-2 agencies and case managers should be aware that certain W-2 paid placement benefits (i.e. CSJ, W-2T, or CMC payments) are not considered earned income subject to income tax credits. However, employment outside of W-2 and any pay received from an employer by a W-2 trial job participant during 2006 should be applicable for earned income credits.

The IRS has a federal earned income tax credit assistant in English and Spanish for Tax Year 2006 at: [IRS Tax Credit Assistant](#). This on-line worksheet can be used to help taxpayers roughly determine how much EITC they may be able to receive for 2006 before having to fill out related tax forms.

For detailed information and forms for the federal EITC and advanced federal EITC, please go to: [IRS Info and Forms](#).

For detailed information in English or Spanish for the Wisconsin EITC, which is called Earned Income Credit (EIC), click on the state Department of Revenue (DOR) " Earned Income Credit" on the DOR website at: [DOR - EIC](#).

Wisconsin Homestead Credit

A state homestead credit (HC) may also be available to eligible low income Wisconsin residents who rent or own their home and have a household income of \$ 24,500, or less. The Wisconsin Department of Revenue (DOR) has a simple H-EZ form 2006 that many taxpayers can use to make filing easier. However, a landlord signed rent certificate or a property tax bill (if home is owned) is still required.

More detailed information in English and Spanish plus forms for the Wisconsin HC can be found by clicking on "Homestead Credit Claim" title listed under "Tax Benefits "on the DOR "Individual" tax site at: [DOR - Homestead Credit](#)

Federal Child Tax Credit

Eligible taxpayers may be able to obtain a federal Child Tax Credit for each dependent child under age 17. More information on how to file for this 2006 tax credit can be found through links starting at IRS Website: [IRS - Child Tax Credit](#).

One Time Telephone Excise Tax Refund

Individuals who paid for regular, internet, and/or cellular telephone service that included long distance service billed after February 28, 2003, and before August 1, 2006, can qualify for a federal excise tax refund on the long distance service. The IRS is simplifying the process by providing a standard refund based on the number of tax exemptions to make it easier to receive this refund. Even persons who are not required to file a tax return can file a separate form to receive this refund. The amounts for the standard refund are \$30 for one exemption, \$40 for two exemptions, \$50 for three exemptions, with a maximum of \$60 for four or more exemptions. Details on how to file and what forms to use can be found on the IRS website at:

[IRS - Telephone Excise Tax](#)

TAX REFUND INTERCEPT BY FEDERAL IRS AND/OR WISCONSIN DOR

It is important to be aware and to inform program participants that any person receiving a tax refund who owes back taxes, unpaid child support, unpaid parking tickets or other government fees could have their tax refunds reduced or eliminated due to these outstanding debts.

FREE LOW INCOME TAX RETURN ASSISTANCE SITES

There are free Volunteer Income Tax Assistance (VITA) tax return preparation sites that can help determine eligibility for tax credits and prepare basic tax returns at no cost for low income individuals, individuals with disabilities, non-English speaking tax payers, and the elderly. Many of these sites offer free electronic tax filing which may provide a tax refund within 7 to 10 days after filing, if the taxpayer has a checking or savings account to allow electronic deposits.

For the location of a local VITA site or to obtain assistance with federal tax questions, a person can call 1-800-829-1040, starting February 1, 2007. Wisconsin VITA site information can also be found by calling any of local State Department of Revenue (DOR) office located at: [DOR - VITA Site](#), or by going to the main DOR website at: [DOR - Individual Tax](#) and clicking on "VITA Site", starting February 1, 2007.

The American Association of Retired Persons (AARP) also has some free basic tax assistance for low income individuals and the elderly. The nearest AARP Tax-Aide site can be found by

clicking on the above DOR VITA website, by calling AARP at 1 888 227-7669, or by visiting the AARP Website located at: [Tax Assistance - AARP](#) starting February 1, 2007.

Persons using these free tax assistance sites should call first to see if an appointment is needed plus learn what documents they need to bring for tax return preparation. It is also important to verify whether the local free tax assistance site will prepare any amended tax returns for previous years, if that should also be needed.

ADDITIONAL INFORMATION ABOUT TAX RETURN PREPARATION SERVICES

It is important to be aware of and to inform program participants that there are some tax preparation and other companies offering money up-front to customers seeking tax returns, often based only on the last paycheck of 2006. News articles indicate that some of these companies can charge very high interest (e.g. 30% up to 60%) rates and fees for obtaining a few dollars early on. Customers can lose much of the tax refund due them, if not careful. People should not sign anything without fully understanding what terms and conditions are in the contract that they are being asked to sign. Tax refunds benefit a family most when they can receive all of it. VITA sites are free and also have computer processing to improve receipt of tax refunds. Here's a related DOR news link at: [DOR - Tax Preparation Services](#).

POLICY

The Department of Workforce Development is mailing W-2 participants a DOR information flyer that addresses the 2006 EITC and Homestead Tax credits. However, this Operations Memo and attachment provide more information than the DOR information flyer.

All work program and IM agencies and their case workers are requested to inform their program participants of these possible sources of additional income plus free tax return preparation assistance. Information can be provided by any combination of methods found suitable by the agency. Some examples could be face to face contact, posting of information in customer service areas, handing out information sheets, including information in an existing mailing to the participant, providing information handouts near job search computers, and/or any other suitable means that will provide increased awareness in families requesting or receiving assistance from your organizations/staff. A sample document, for use in posting in public areas and as a possible handout, is provided as an attachment to this Operations Memo to be of assistance.

CONTACTS

DWS W-2 Regional Administrators

BEM CARES Information & Problem Resolution Center