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TO: **W-2 Agencies**
Job Center Leads and Managers
Training Staff

FROM: Janice Peters, Director
Bureau of Working Families
Division of Family and Economic Security

DFES OPERATIONS MEMO					
No:	12-11				
DATE:	02/16/2012				
FS	<input type="checkbox"/>	MA	<input type="checkbox"/>	BC+	<input type="checkbox"/>
SC	<input type="checkbox"/>	CTS	<input type="checkbox"/>	FSET	<input type="checkbox"/>
CC	<input type="checkbox"/>	W-2	<input checked="" type="checkbox"/>	EA	<input checked="" type="checkbox"/>
CF	<input type="checkbox"/>	JAL	<input checked="" type="checkbox"/>	JC	<input type="checkbox"/>
RAP	<input checked="" type="checkbox"/>	WIA	<input type="checkbox"/>	Other	<input type="checkbox"/> *
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PRIORITY: HIGH					

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

CROSS REFERENCE: [Operations Memo 11-07](#), [W-2 Manual Chapter 3](#)

EFFECTIVE DATE: Immediately

PURPOSE

This Memo provides Tax Year 2011 information and reminds Wisconsin Works (W-2) Agencies and others of the importance of notifying program participants of the financial advantages of state and federal Earned Income Tax Credits (EITC), the State Homestead Credit (HC), the federal Child Tax Credit (CTC), and other available tax credits for low-income families. This memo also provides information on where low-income, non-English speaking, and elderly families can obtain free tax return preparation assistance in Wisconsin.

BACKGROUND

Program participants can increase their family income by accessing available tax credits. 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 2011 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 \$464	\$0	< \$13,660 < \$18,740 (Married)	Up to \$1,168	\$24,680	\$0
One	Up to \$3,094	Up to \$124	< \$36,052 < \$41,132 (Married)	Up to \$1,168	\$24,680	Up to \$1,000
Two	Up to \$5,112	Up to \$562	< \$40,964 < \$46,044 (Married)	Up to \$1,168	\$24,680	Up to \$2,000
Three or More	Up to \$5,751	Up to \$1,955	< \$43,998 < \$49,078 (Married)	Up to \$1,168	\$24,680	Up to \$1,000 per child

RELATED INCOME POLICIES

Wisconsin Works (W-2) agency staff should be aware that as of December 17, 2010, any program funded in whole or in part with federal funds must disregard Federal tax refunds received after December 31, 2009 and before December 31, 2012 as income and as a resource for 12 months.

Federal tax refunds covered by this policy include both:

- refunds that are the result of a refundable credit (including but not limited to the Federal Earned Income Tax Credit), and
- refunds that are the result of over-withholding.

Note: The treatment of state tax refunds, rebates, and credits is not impacted by this policy. Policy on the treatment of state tax refunds for each program remains unchanged.

Wisconsin Works (W-2) agency staff should be aware that certain W-2 paid placement benefits (i.e. CSJ, W-2 T, 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 or Transitional Job should be applicable for earned income credits.

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

AVAILABLE TAX CREDITS

Federal and Wisconsin Earned Income Tax Credits

The most significant tax credit for eligible individuals and families is the earned income tax credit (EITC). For example, the maximum federal EITC is \$5,751 and the maximum state earned income credit is \$1,955 (See above table).

The IRS has a federal earned income tax credit assistant in English and Spanish for Tax Year 2011 at: IRS Tax Credit Assistant (<http://www.irs.gov/individuals/article/0,,id=130102,00.html>.)

This on-line worksheet can be used to help taxpayers roughly determine how much EITC they may be able to receive for 2011 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 http://www.irs.gov/individuals/article/0,,id=118888,00.html](http://www.irs.gov/individuals/article/0,,id=118888,00.html).

For detailed information in English or Spanish for the Wisconsin Earned Income Credit (EIC), click on the Wisconsin Department of Revenue (DOR) "Earned Income Credit" title listed under "Tax Benefits" on the DOR "Individual" tax website at: [DOR - EIC \(http://www.dor.state.wi.us/html/indiv.html\)](http://www.dor.state.wi.us/html/indiv.html)

Income from self-employment will not qualify for the EITC.

Wisconsin Homestead Credit

The Wisconsin Homestead Credit (HC) is available to eligible low income Wisconsin residents who rent or own their home and have a household income of \$24,500 or less for tax year 2011. Wisconsin Department of Revenue (DOR) has a simple H-EZ form 2011 that taxpayers can use to make filing easier. However, a landlord-signed rent certificate or a property tax bill (if home is owned) is required.

In addition to other eligibility criteria, special rules apply to individuals who received a W-2 cash benefit (CSJ, W-2 T, ARP, and CMC payments). If an individual received **any** amount of a Wisconsin Works (W-2) payment in 2011 for any month in 2011, that individual's property taxes and rent have to be reduced by one-twelfth for **each** month the individual received any of these benefits. If an individual received a W-2 cash benefit for all 12 months of 2011, that person is not eligible for the HC. Similar provisions apply to county funded general relief payments. More detailed information in English and Spanish plus forms for the Wisconsin HC can be found at: [DOR - Homestead Credit \(http://www.revenue.wi.gov/faqs/ise/homedef.html\)](http://www.revenue.wi.gov/faqs/ise/homedef.html).

Federal Child Tax Credit

The Federal Child Tax Credit (CTC) is a credit for taxpayers raising a qualifying child(ren). A qualifying child for purposes of the CTC is a child who:

- Is the taxpayer's son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendent of any of them (for example, your grand child, niece, or nephew);
- Was age 17 or younger at the end of 2011;
- Did not provide over half of his or her own support for 2011;
- Lived with the taxpayer for more than half of 2011. A child is considered to have lived with the taxpayer for all of 2011 if the child was born or died in 2011 and the taxpayer's home was the child's home for the entire time he or she was alive. Temporary absences by the taxpayer or the child for special circumstances, such as, school, vacation, business, medical care, military service, or detention in a juvenile facility, count as time the child lived with the taxpayer;
- Is claimed as a dependent on the taxpayer's return;
- Was a US. Citizen, a US. national, or a US resident alien. If the taxpayer is a US citizen or US national and had an adopted child living in the household all year in 2011, he/she will be a qualifying child for the CTC.

The CTC can be worth up to \$1,000 per child. Claiming the CTC on 2011 Federal tax returns will not reduce benefits that may be available to the family under Federal EITC.

Families with no taxes to pay may qualify for the Additional Child Tax Credit (ACTC), which is a special, refundable credit for certain low income tax filers who qualify for less than the full amount of the CTC. The ACTC earnings threshold for 2011 is \$3,000.

More information on how to file for this 2011 tax credit can be found through links starting at IRS Website: [IRS - Child Tax Credit \(http://www.irs.gov/publications/p972/ar02.html\)](http://www.irs.gov/publications/p972/ar02.html)

Federal Child and Dependent Care Credit

A family may be able to claim the Child and Dependent Care Credit (CDCC) if the wage earner pays someone to care for a qualifying dependent child that is under age 13, or a spouse or dependent that is not able to care for himself or herself, and who lived with the family for more than half of the year. The credit can be up to 35% of allowable care expenses. To claim CDCC, the tax filer must have earned income during the year. In addition, the child care expenses must be work-related, in that they are paid to permit the wage earner to work or look for work. Families earning too little to pay Federal income taxes cannot use CDCC.

More information on how to claim the CDCC can be found through links starting at IRS Website: <http://www.irs.gov/publications/p501/ar02.html>

The Health Coverage Tax Credit

Starting January 2010, the Health Coverage Tax Credit (HCTC) pays 65% of health insurance premiums. Family members can receive the HCTC if they meet the following eligibility requirements:

- Pension Benefit Guaranty Corporation (PBGC) pension recipients who are at least 55 years old;
- Individuals receiving a Trade Readjustment Allowance (TRA) under the Trade Adjustment Assistance (TAA) program and attending TAA approved training;
- Individuals receiving a wage subsidy under the Alternative TAA (ATAA) Trade Adjustment Assistance (RTAA) program for older workers;
- Have a qualified health plan;
- Are not receiving Medicare benefits, or have another form of disqualifying health coverage;
- Are not imprisoned by a federal, state, or local authority;
- Can not be claimed as a dependent on another individual's federal tax return.

For more information on the HCTC visit:

<http://www.irs.gov/individuals/article/0,,id=109956,00.html>

Filing Taxes for Previous Years

Individuals who have never filed or have not filed their returns in past years may file for up to the past three years. If applicable to their situation, they would still be eligible to receive EIC and CTC benefits for those previous years.

TAX PREPARATION RESOURCES

FREE LOW INCOME TAX RETURN ASSISTANCE SITES

The Volunteer Income Tax Assistance (VITA) program is a cooperative effort by the Internal Revenue Service and the Wisconsin Department of Revenue to provide free income tax assistance to low income individuals, individuals with disabilities, non-English speaking taxpayers, and the elderly. The VITA volunteers are trained by the Internal Revenue Service and the Wisconsin Department of Revenue in tax preparation skills. Many of the VITA 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.

The VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping centers, churches, retirement homes and other convenient locations. Most VITA sites are open from February 1 through April 15, 2012.

To find the closest VITA site:

- Call the IRS general number at 1-800-829-1040 starting February 1, 2012. Wisconsin VITA sites call 800-906-9887.

Call any local State Department of Revenue (DOR) office. To find the number, go to [DOR - VITA Site \(http://www.dor.state.wi.us/fags/ise/address.html\)](http://www.dor.state.wi.us/fags/ise/address.html), or by going to the main DOR "Individual" tax Website at: [DOR - Individual Tax \(http://www.dor.state.wi.us/html/indiv.html\)](http://www.dor.state.wi.us/html/indiv.html) and clicking on "Volunteer Income Tax Assistance (VITA)" under "Tax Help" starting February 1, 2012.

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 \(http://www.aarp.org/money/taxes/irs-tax-tips/\)](http://www.aarp.org/money/taxes/irs-tax-tips/) starting February 1, 2012.

AVOIDING HIGH FEES OF COMMERCIAL TAX PREPARERS

Some tax preparation companies offer money up-front to customers seeking tax returns, often based only on the last paycheck of 2011. News articles indicate that some of these companies can charge very high interest (e.g. 30% up to 60%) rates and fees. As a result, customers can lose much of the tax refund due them.

Agencies should inform participants about these types of tax preparation services and encourage participants not to sign anything without fully understanding the terms and conditions of the contract. Agencies should encourage participants to utilize VITA sites which are free and have free electronic tax filing which can result in a speedy tax return.

ACTION REQUIRED

W-2 agencies are required to inform program participants of the advantages of claiming available tax credits and are required to inform program participants of available free tax return preparation assistance in their community.

Information can be provided by any combination of methods including:

- 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.

CONTACTS

For Policy Related Questions: BWF Regional Office Staff

For CARES Processing Questions: W-2/CC Help Desk

*Program Categories – FS – FoodShare, MA – Medicaid, BC+ – BadgerCare Plus, SC – Senior Care, CTS – Caretaker Supplement, CC – Child Care, W-2 – Wisconsin Works, FSET – FoodShare Employment and Training, CF – Children First, EA – Emergency Assistance, JAL – Job Access Loan, JC - Job Center Programs, RAP – Refugee Assistance Program, WIA – Workforce Investment Act, *Other EP – Other Employment Programs.

DCF/DFES/BWF/PM