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TO: **W-2 Agencies**  
**Training Staff**  
**Income Maintenance Supervisors**  
**Income Maintenance Lead Workers**  
**Income Maintenance Staff**

**Child Care Coordinators**

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

Shawn Smith, Director  
Bureau of Enrollment Policy and Systems  
Division of Health Care Access and  
Accountability

Susan Mathison, Section Chief  
Bureau of Child Care Administration  
Division of Early Care and Education

BWF/BEPS/BCCA OPERATIONS MEMO					
No:	14-J2				
DATE:	MARCH 18, 2014				
FS	<input checked="" type="checkbox"/>	MA	<input checked="" type="checkbox"/>	BC+	<input checked="" type="checkbox"/>
SC	<input type="checkbox"/>	CTS	<input checked="" type="checkbox"/>	FSET	<input type="checkbox"/>
CC	<input checked="" 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"/> *
				EP	
<b>PRIORITY: HIGH</b>					

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

**CROSS REFERENCE:** W-2 Manual, [Chapter 3](#)  
[Wisconsin Shares Child Care Assistance Manual](#), 1.6.11  
[BadgerCare Plus Handbook](#), 16.2  
[Medicaid Handbook](#), Sections 15.4.20, 15.5, and 16.7.8  
[Caretaker Supplement Handbook](#), 3.2  
[FoodShare Handbook](#), Sections 4.3.2.2, 4.4.1.4, and 4.5.5

**EFFECTIVE DATE:** Immediately

**PURPOSE**

This memo provides: 1) Tax Year 2013 information on tax credits and tax preparation services available to working families in Wisconsin; 2) A reminder to Wisconsin Works (W-2) and Income Maintenance (IM) agencies of the importance of notifying program participants of the financial advantages of federal and state tax credits; and 3) A reminder on how to count federal and state tax refunds when determining financial eligibility for assistance.

**BACKGROUND**

There are a number of federal and state tax credits available to eligible working families that can reduce their tax burden and increase income. This table provides a summary of the maximum amounts of tax credits that may be available to working individuals and families.

***Summary Table of 2013 Maximum Tax Credits with Income Eligibility Limits***

<b>Number of Qualifying Children</b>	<b>Federal EITC</b>	<b>Wisconsin EIC (EITC)</b>	<b>EITC Income Limits (state and federal)</b>	<b>Wisconsin Homestead (HC)</b>	<b>WI HC Income Limits</b>	<b>Federal Child Tax Credit</b>
Zero	Up to \$487	\$0	< \$14,340 < \$19,680 (Married)	Up to \$1,168	\$24,680	\$0
One	Up to \$3,250	Up to \$130	< \$37,870 < \$43,210 (Married)	Up to \$1,168	\$24,680	Up to \$1,000
Two	Up to \$5,372	Up to \$591	< \$43,038 < \$48,378 (Married)	Up to \$1,168	\$24,680	Up to \$2,000
Three or More	Up to \$6,044	Up to \$2,055	< \$46,227 < \$51,567 (Married)	Up to \$1,168	\$24,680	Up to \$1,000 per child

***RELATED INCOME POLICIES***

Under the Tax Relief Act of 2012 signed into law on January 2, 2013, the provision requiring federally and state funded programs to disregard federal tax refunds as income and assets is permanently extended. Federal tax refunds will not disqualify working families from W-2 and FoodShare programs because it is disregarded income. Agencies must continue to follow current policy when counting state tax refunds.

***W-2, Emergency Assistance, and Job Access Loans***

W-2 agencies must continue to disregard the entire amount of any federal tax refunds as income in the month received and as an asset for 12 months from the date of receipt. If there is a remaining, unspent portion of the refund after the 12-month disregard period has passed, the agency must count that portion as an available asset.

***Refugee Assistance Programs***

W-2 agencies must continue to disregard federal income tax refunds as income in the month received and as an asset for 12 months following the month of receipt for Refugee Assistance programs.

***Wisconsin Shares Child Care Assistance***

Child Care agencies must continue to disregard the entire amount of all federal income tax refunds as income.

***BadgerCare Plus***

IM agencies must continue to disregard federal and state income tax refunds, including the credits listed above, as income for the BadgerCare Plus, BadgerCare Plus Basic, and BadgerCare Plus Core programs.

### ***Medicaid and Caretaker Supplement***

IM agencies must continue to disregard federal income tax refunds, rebates, and credits as income in the month received and for 12 months following the month of receipt for the Medicaid and Caretaker Supplement programs. If there is a remaining, unspent portion of the refund after the 12-month disregard period has passed, the agency must count that portion as an available asset.

### ***FoodShare***

IM agencies must continue to disregard federal and state income tax refunds, including the credits listed above as income. For households that include an Elderly, Blind, or Disabled member with income over 200% of the Federal Poverty Level and subject to regular FoodShare rules, IM agencies must disregard any remaining portion of a federal and state income tax refund, rebate, or credit from the asset test for 12 months following the month the refund is received.

## **AVAILABLE TAX CREDITS**

### ***Federal and Wisconsin Earned Income Tax Credits***

The Earned Income Tax Credit (EITC or EIC) is available to working individuals who have low or moderate income. To qualify for EITC, individuals must have earned income from employment or self-employment. When the EITC exceeds the amount of taxes owed, this results in a tax refund. To qualify, individuals must meet certain requirements and file a tax return, even if they don't owe any tax or are not required to file.

The IRS has an interactive tax assistant that assists individuals with determining if they can claim the EITC and with calculating the amount of the credit. Refer to the [IRS EITC Tax Assistant](#).

For more information on the federal EITC, refer to [IRS Publication 596](#).

For more information on the Wisconsin EIC, refer to the [Wisconsin Department of Revenue \(DOR\) website](#).

### ***Wisconsin Homestead Credit***

The Wisconsin Homestead Credit (HC) is available to low income Wisconsin residents who rent or own their home. The credit may lessen the impact of property taxes and rent on individuals with lower incomes.

The following terms apply to individuals who received a W-2 payment (Community Service Job [CSJ], W-2 Transition [W-2 T], At Risk Pregnancy [ARP], and/or Custodial Parent of an Infant [CMC]) in tax year 2013:

- If an individual received **any** amount of a W-2 payment in 2013 for any month in 2013, the individual's property taxes and rent are reduced by one-twelfth for **each** month the individual received payment; or
- If an individual received a W-2 payment for all 12 months of 2013, the individual is not eligible for the homestead credit.

Similar provisions apply to county relief, Kinship Care, and other cash public assistance payments (such as adoption assistance and federal or state disaster grants) received in tax year 2013.

For more information on the HC, refer to the [Wisconsin DOR website](#).

### ***Federal Child Tax Credit***

The Child Tax Credit (CTC) is designed to assist working families offset the cost of raising children and is available to families with a qualifying child. If the amount of the CTC is greater than the amount of income tax a family owes, the family may receive part or all of the difference as an Additional Child Tax Credit (ACTC).

The IRS has an interactive interview that assists families with determining if they are eligible for the CTC. Refer to the [IRS website](#).

For more information on the CTC refer to [IRS Publication 972](#).

### ***Federal Child and Dependent Care Credit***

The Child and Dependent Care Credit (CDCC) is available to families who pay work-related expenses for the care of children, adult dependents, or an incapacitated spouse. The purpose of the credit is to allow families to be gainfully employed. If a family does not earn enough money to owe federal income taxes, it cannot benefit from the credit.

For more information on the CDCC, refer to the [IRS website](#).

### ***Federal Health Coverage Tax Credit***

The Health Coverage Tax Credit (HCTC) pays 72.5% of qualified health insurance premiums, making health insurance more affordable for families. Certain families may receive the credit either monthly as their health plan premium becomes due, or yearly as a credit on their federal tax return. The legislation that authorized the HCTC has expired and it will not be available for tax years after 2013.

For more information on the general requirements for the HCTC refer to the [IRS Website](#).

### ***Filing Taxes for Previous Years***

Individuals who have never filed or have not filed their returns in past years may file for tax credit refunds for the last three years (i.e. 2011, 2012, and 2013). If applicable to their situation, they would still be eligible to receive EIC and CTC credits for those previous years.

For more information on how to file a tax return for a prior year, call the IRS Tax Help Line at 1-800-829-1040.

## **TAX PREPARATION RESOURCES**

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**Volunteer Income Tax Assistance**

The Volunteer Income Tax Assistance (VITA) program is available to low income individuals in preparing their tax returns. IRS-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals in local communities. 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.

To find a VITA site, call 1-800-906-9887 or refer to the [IRS website](#).

**Tax Counseling for the Elderly (TCE)**

The Tax Counseling for the Elderly (TCE) program is available to individuals who are 60 years of age and older, specializing in questions about pensions and retirement issues unique to seniors. The American Association of Retired Persons (AARP) supports the TCE program. AARP's Tax-Aide volunteers are IRS-certified.

To find a TCE site, call 1-888-227-7669 or visit the [AARP website](#).

**Fees and Commercial Tax Preparation**

Some tax preparation companies offer money up-front to individuals seeking tax returns, often based only on the last paycheck of 2013. 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, individuals 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**

All W-2 and IM agencies must inform program participants of the advantages of claiming available tax credits, and of available free tax return preparation assistance in the community. Agencies may provide the information in 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, and any other suitable means that will provide increased awareness to families requesting or receiving assistance.

A sample handout is provided as an attachment to this Operations Memos.

- **NOTE:** DCF did not complete a mass mailing of the attached handout to W-2 program participants this year. W-2 agencies are responsible for sharing this information with program participants. This includes sharing it with job seekers as well as employed participants.

In order to help with outreach, each year the Center for Budget and Policy Priorities (CBPP) prepares a kit containing many of the resources agencies might need to conduct an effective campaign to publicize the EIC and ensure its accessibility to the families they serve. The

[2014 Tax Credit Outreach Kit](#) includes EIC posters, handouts in English and Spanish, an EIC campaign guide, and other helpful information. Agencies can send an e-mail to

[eitckit@cbpp.org](mailto:eitckit@cbpp.org) for a free copy of this kit or can call CBPP outreach staff at 202-408-1080. Additional kits are available at nominal charge.

## **ATTACHMENT**

[2014 Participant Handout](#)

## **CONTACTS**

BEPS CARES Information & Problem Resolution Center

For Child Care policy questions outside of Milwaukee County: Bureau of Regional Operations (BRO), Child Care Coordinators at:

[http://dcf.wisconsin.gov/regional\\_operations/pdf/contact\\_list.pdf](http://dcf.wisconsin.gov/regional_operations/pdf/contact_list.pdf)

For Child Care CARES/CWW, CSAW, and CCPI IT systems processing questions statewide and policy questions in Milwaukee County: Child Care Help Desk at [childcare@wisconsin.gov](mailto:childcare@wisconsin.gov) or (608) 264-1657

For W-2 Policy Questions in the Balance of State: Bureau of Regional Operations, W-2 Regional Coordinators

For W-2 Policy Questions in Milwaukee: Milwaukee Operations Section Regional Administrators

For W-2 CARES Processing Questions: W-2 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/DDž