



# Making Sense of Tax Credits: What are the EIC and the CTC? What is VITA?

The **Earned Income Credit (EIC)** and the **Child Tax Credit (CTC)** are federal tax benefits for low- and moderate-income workers. The EIC can be worth up to \$5,666 for families who worked in 2010. Workers raising children who earned less than about \$45,000 in 2010 may be eligible for the EIC. Workers not raising children who earned less than about \$13,000 also can qualify. In addition to the EIC, some families also can get the CTC, which can be worth up to \$1,000 per child. The credits can reduce the amount of income taxes workers owe — but even workers who owe no taxes can qualify for the credits.

To claim the credits, eligible workers must file a tax return. Preparing a tax return can be complicated and may seem overwhelming. Tax filers often seek help from commercial tax preparers who may charge high fees that reduce the value of any refund the worker is eligible to receive. That's why it's so important for low-income tax filers to know there's an alternative: **Volunteer Income Tax Assistance (VITA)**. This IRS-sponsored program works with community organizations to provide high quality tax preparation to low-income tax filers — free of charge!

You can find more details on the EIC, the CTC and VITA starting on p. 11 of this booklet.

## ***Reaching Out to Those Who May Be Missing Out***

According to national estimates, 20 to 25 percent of eligible workers do not claim their EIC

benefits. That means millions of dollars are not finding their way into the pockets of the working families and individuals who have earned that money. As a result, they are going without the income boost they could be getting to help them keep their jobs and care for their families.

Community-based outreach efforts are the best way for eligible workers to learn about the credits and how to claim them.

### **Your outreach efforts can make a difference for:**

**Workers who earned too little to be required to file a tax return:** They need to know that they do have a reason to file: It's the only way they can claim the credits and get money they've earned.

**Workers who are eligible to claim the credits for the first time:** Workers just entering the labor force may not know about the credits and may not be familiar with tax filing procedures. Workers who were not eligible in the past, but who now qualify because their employment situation changed or because they had a child, may not know they can claim the credits.

**Workers who may mistakenly think the credits are not meant for them:** Foster parents, grandparents raising grandchildren, people serving in the military, and parents of children with disabilities may not realize they can qualify, or that special rules apply to them. Workers who were eligible for the credits in the past but who did not claim the credits may not know they can file for the credit up to three years back and get the money they missed out on.

**Workers who didn't know they could get their tax forms filed for free:** They may have paid high fees in the past to get their tax forms completed, draining money away from the full amount of their tax credit.