

Tax Credits for Workers Expanded for 2009!

Millions of Children to Benefit



The American Recovery and Reinvestment Tax Act of 2009 (ARRA) enacted important expansions of the Earned Income Credit (EIC) and Child Tax Credit, as well as the new Making Work Pay Credit (MWPC) and the American Opportunity Tax Credit (AOTC). Fact sheets in the Tax Credit Outreach Kit at <http://eitcoutreach.org/category/running-a-campaign-what-you-need-to-know> explain more details for each of these changes, all of which take effect in 2009.

More EIC benefits for larger families. A new tier of benefits has been added to the EIC for families. Larger benefits are now available to families with three or more children. The maximum credit for these families increases to \$5,657; under previous law their maximum credit was \$5,028. Increases in the EIC for workers who don't qualify for the maximum EIC will range from \$400 to \$600.

EIC income limits rise for married workers. The maximum EIC income level for married workers is set higher than for single workers. ARRA has increased the amount of this difference to \$5,000 from \$3,000, the amount under prior law. The maximum income levels at which married workers can claim the EIC have increased and at lower income levels more married couples will qualify for the maximum EIC. For families who earn too much to receive the maximum EIC, the change results in an increase of about \$350 to \$400 in their EIC compared to previous law.

Child Tax Credit — very low-income families now qualify. The income at which a worker can get the refundable CTC is reduced to \$3,000 in 2009 from \$8,500 in 2008. The CTC will now reach 2.9 million additional children and will provide another 10 million children with a larger credit than they would have received under the 2008 rules. For example, a worker earning \$6,000, who previously did not qualify for the CTC, would receive a \$450 credit.

To claim the CTC refund, families need to file a Form 8812. Outreach partners can ensure newly eligible workers get the CTC refund by reminding families that earn above \$3,000 to file a Form 8812. See the fact sheet, *The Child Tax Credit: An Extra Tax Break for Working Families*, in the "Running a Campaign? What You Need to Know" section of the www.eitcoutreach.org website for more details on CTC eligibility and how to claim it. For EIC and CTC refund amounts this year, see the *EIC and CTC Benefits Level Chart* in the "Outreach Tools" section of the www.eitcoutreach.org website.

The Making Work Pay Credit — a new credit for most workers. The MWPC is worth up to \$400 for an individual and \$800 for a married couple filing jointly, regardless of whether they are raising children or not. In order to quickly provide the increase in income from this credit to most workers, the IRS adjusted its standard withholding tables, which employers used to determine how much income tax is withheld from each paycheck. Less income tax was withheld beginning in April 2009. While many workers received their MWPC in this way, the MWPC fact sheet in the Outreach Kit describes those who did not and will need to claim it on their 2009 tax return.

More affordable education — the American Opportunity Tax Credit. The AOTC replaces the Hope Credit and can make education more affordable for lower-income people who might not otherwise be able to attend college. The AOTC fact sheet in the Outreach Kit describes how this newly refundable credit works.