

# Tax Credits

## WHAT ARE TAX CREDITS?

Tax credits are benefits you can get only by filling out state and federal income tax forms. They can be received in a check, or can be used to reduce the amount of tax you owe. You should file federal and state taxes even if your income is so low that you do not owe taxes, because that is the only way you can get these credits. The federal tax credits require that you file the "long form." You can get help by calling (800) TAX-1040 or (800) 829-1040.

The federal tax credits include the Earned Income Credit, the Child Tax Credit, and the Federal Credit for Child and Dependent Care Expenses. The state has its own Child and Dependent Care Expenses Credit and a Renter's Credit.

### ► 1. Earned Income Credit (EIC)

"The Earned Income Credit" (EIC) is a check that low-income working people can get from the government by filing a federal income tax return or filling out a W-5 form during the year, even if your income is so low that you do not owe federal taxes. You need a valid social security number to get this money.

If you are receiving CalWORKs, the welfare office cannot count this payment as part of your income if you spend the money in the month received or the month after. For the General Relief program, this money does count as income.

You can also file for "retroactive" payments from the past three years. If you do not owe taxes, there is no penalty for filing for the credit late (after April 15th).

You qualify for earned income credit if your yearly income from 2004 is below the level in the chart below:

Family Size	Income Limit	Maximum Amount You Can Get
<b>2 or more children</b>	<b>\$35,458</b>	<b>\$4,300</b>
<b>1 child</b>	<b>\$30,338</b>	<b>\$2,604</b>
<b>Workers (aged 25 - 64) without children</b>	<b>\$11,490</b>	<b>\$390</b>

\*Amounts you made in 2004. These numbers will be adjusted for next year.

You can claim EIC on the tax form (1040 or 1040A) or you can fill out just the first side of "Schedule EIC" instead and the IRS will figure it out for you. However, you may not use the 1040EZ form (the shortest form) to claim your EIC.

For help getting the credit you can call the EIC hotline at 1-800-601-5552. To get a 1040 or 1040A form for this year and past years, and to receive free tax assistance call the IRS at (800) 829-3676 and ask for VITA-Volunteer Income Tax Assistance. Forms are also available in libraries, post offices and other public places.

If you choose, you can receive this payment spread out during the year in lower payroll tax deductions instead of getting it all at once at the end of the year. To do this, ask your employer to fill out a W-5 form.

### ► 2. Child and Dependent Care Tax Credit

Families who pay for child or dependent care in order to work or look for work may be eligible for money or reduced taxes from both the federal and state governments. The dependent can be a child under the age of 13 or a dependent of any age who is unable to care for him or herself, including a disabled spouse.

The benefits are up to \$1,050 from the state and \$2,100 from the federal government for families with two or more children or dependents. Families with one child or dependent may qualify for up to \$525 from the state and up to \$1,050 from the federal government. The amount you get is generally higher if your expenses are higher.

For both the federal and state credits, you must have a social security number, or an Individual Taxpayer Identification Number (ITIN). You must have income from work and must provide the social security number of the child or dependent that is receiving care, and the name, address, taxpayer identification or social security number for the person or agency providing the care.

For the state, this credit is limited to families that make \$100,000 or less per year. The federal credit is offered to tax filers no matter what their income.

### ► 3. Renter's Tax Credit

The Renter's Tax Credit is not a payment that you can receive, but a deduction that renters can make on their state income tax forms. Renters who owe no tax will get no benefit. Single renters with incomes up to \$29,955 are eligible for \$60 renters' tax credit and families with incomes up to \$59,100 are eligible for \$120 renters' tax credit.

