



DIVISION OF CHILDREN AND FAMILY SERVICES

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State of Wisconsin

Department of Health and Family Services

Scott McCallum
GOVERNOR

March 6, 2001

BRL -DC – Memo 01 – 01

To: Family Day Care Licensees
Group Day Care Licensees
Day Camp Licensees

From: Susan Dreyfus
Administrator

A handwritten signature in cursive script that reads "Susan".

Re: **Income Tax Credits**

The income tax season is upon us and April 15th (the last day to file income tax returns or a request for an extension) is fast approaching. In January, the Department of Health and Family Services joined with the Department of Workforce Development and Department of Revenue to sponsor training sessions to train hundreds of community volunteers on tax credits for low-income individuals. The Wisconsin Community Action Program Association (WISCAP) in partnership with the Wisconsin Institute for Certified Public Accountants and the Wisconsin Association of Accountants held training sessions across the state with participants who will be working to assist low-income individuals and families in taking advantage of these credits. Community volunteers representing the front line workers at shelters, food pantries, child welfare offices, county W-2 agencies and other agencies that work with low income people participated in the program. I am including some information about two tax credits, the Earned Income Tax Credit and the Homestead Credit, in the hope that you can help get the word out to individuals and families that may qualify for these programs. In addition, the University of Wisconsin-Extension maintains a website containing resources for low income tax credit outreach, promotion and assistance. The website address is: www.uwex.edu/ces/econ/resources.html. Thank you for helping to make this information available to the families of children enrolled in your program and employees.

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a tax benefit designed to help low-income workers increase their financial stability. The federal government in 1975 established it as a refundable tax credit, meaning that eligible persons may receive money back even if they don't owe taxes. In 1989, Wisconsin followed suit offering a state Earned Income Tax Credit. In order to be eligible for the credit, a family or individual must have at least \$1 of income earned through wages, salaries, tips, union strike benefits, long-term disability benefits received prior to retirement, or self-employment. A family or individual wishing to claim the credit must also have a social security number for themselves and each qualifying child. The EITC does not affect eligibility for other benefits including W-2, Medicaid, Food Stamps, SSI, and public or subsidized housing. The maximum amount of credit available is \$5,560 for a family with 3 or more qualifying children earning less than \$31,152 per year.

Homestead Credit

The Homestead Credit was developed to lessen the impact of high real estate taxes on low-income households. It was established by the state government in 1964 as a refundable tax credit, meaning that eligible persons may receive money back based on property taxes or rent paid. In order to be eligible for the credit, a family or individual must have a household income less than \$24,500. Household income is broadly defined and includes taxable income from all sources such as wages, salaries and interest, most types of nontaxable transfers (including Social Security, railroad retirement benefits, and veterans' pension and disability payments), income from private pensions and annuities, GI benefits, and other cash amounts. Other amounts considered household income include depreciation claimed for state income tax purposes, excluded long-term capital gains, contributions to Individual Retirement Accounts, and other types of tax preference income. Individuals must have been a legal resident of Wisconsin for the entire year, and owned or rented a home subject to real estate taxes. The maximum amount of the Homestead Credit is \$1,160 for a family earning less than \$24,500 per year.

Tax Help

There are a number of resources that can assist people who have questions about these or other tax credits or persons who would like assistance in completing their tax forms. The Internal Revenue Service (IRS) sponsors several Volunteer Income Tax Assistance (VITA) sites around the state that can assist with simple tax preparation or questions at no cost. For a listing of VITA sites in your community, contact the IRS at 800/829-1040. The Wisconsin Department of Revenue can also answer questions and provide assistance at its branch offices throughout the state. For the location of the office nearest you, contact the Department of Revenue at 608/266-2772. General tax information and forms are also available at your local public library.

c Interested Parties