

The Earned Income Tax Credit and the NC Asset Building Policy Task Force

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Lucy Gorham
EITC Carolinas





What is the Earned Income Tax Credit or EITC?

- The EITC is a federal tax credit for low-income workers – you have to have earned money from work to claim it;
- Both single and married workers can claim it – you don't have to have children;
- You can be self-employed OR work for someone else

What else is needed to qualify?

- You must file a federal tax return
- Someone else cannot claim you as a dependent on their income tax
- You must be between the ages of 25 and 64, or 18 and 64 if you have children
- You must have a **social security number** for yourself, your spouse, *and your children*
- Must be a **U.S. citizen or resident alien** all year

Impact on Other Public Benefits

- EITC does not count as earned income in the SSI program.
- EITC does not count as earned income to determine eligibility for Medicaid.

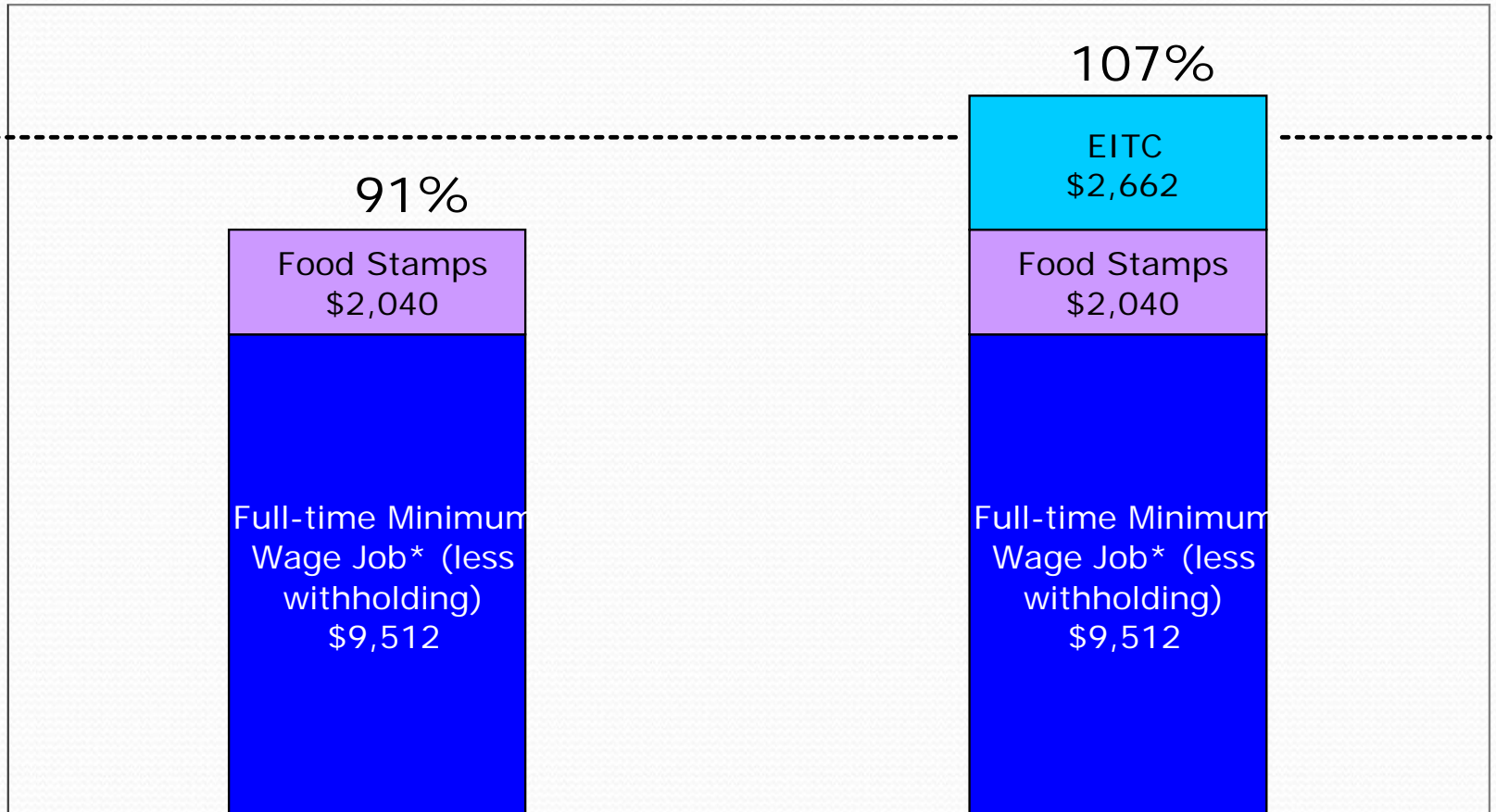
The EITC reduces poverty among low-wage workers:

- **Largest Federal anti-poverty program –**
- The EITC lifts roughly **5 million people out of poverty**, including **2.4 million children**
- **Why not just raise the minimum wage?** The minimum wage would have to be roughly twice as high (\$10.50 an hour) to get the same reduction in poverty that you get from the EITC and food stamps

Helping Working Families Transcend the Poverty Line, 2005

Estimated
Poverty
Line for
Family of
Two
(including
one child)
\$13,323

Annual Income



Without EITC

With EITC

What was the EITC worth to individual families last year?

- Families with **one child** were eligible for a credit of **up to \$2,747**;
- Families with **two or more children** were eligible for a credit of **up to \$4,536**;
- Workers **without a qualifying child** were eligible for a credit of **up to \$412**;
- *Received in a lump sum with federal tax refund so many families use it as a means of forced savings over the year.*

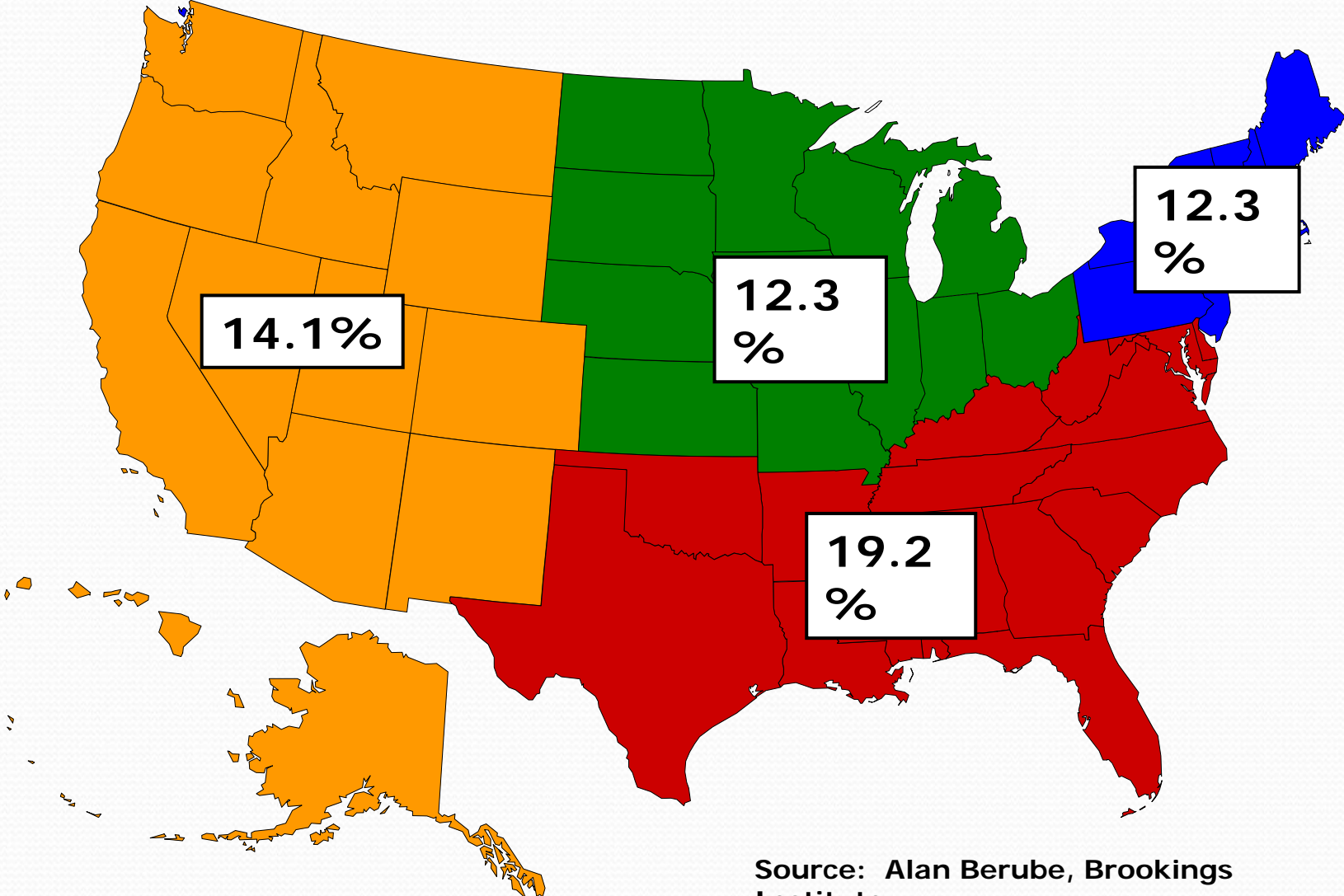


The credits help workers keep working and care for themselves and their children.

Workers use their credits to:

- Pay for transportation to the job
- Keep a car in working order
- Cover child care costs
- Help cover medical expenses
- Buy food and other basic needs
- Keep current on rent and utility payments


Overall EITC Receipt is Highest in the South



Source: Alan Berube, Brookings Institute

EITC in North Carolina

- One in five tax filers in North Carolina receives the EITC
- The EITC brings over \$1.3 billion dollars into the state every year
- Unfortunately, many qualified individuals don't file for their EITC. Between \$100 million and \$200 million is left unclaimed each year.

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- Workers with disabilities are one of the groups which is most likely to miss out on the EITC
 - According to a 2004 Harris Poll, 83 percent of individuals with disabilities surveyed never claimed available tax credits or deductions related to work.

About EITC Carolinas

- A project of MDC in Chapel Hill that has been working to expand opportunity and advance equity in the South for forty years
- Supports the work of over 30 community tax campaigns in NC and SC



What Do Community Tax Campaigns Do to Help Persons with Disabilities Claim their EITC?

- Make people aware of the EITC
- Prepare their federal and state tax returns for FREE through the IRS VITA program
- Provide financial education and debt counseling

What do community tax campaigns do to address these challenges (cont'd)?

- Inform consumers about the high cost of, and alternatives to, rapid refund loans and predatory lending products;
- Link customers to other public benefits and opportunities to save and build assets;
- Educate and advocate about policies that support working families.

How to Find a VITA Site in NC

- Visit www.EITC-Carolinas.org
- Go to “Find a Tax Prep Site”
- Click “To Find Your County”
- Call Tiki Windley, Program Manager of EITC Carolinas - (252) 944-2815 or send an email - twindley@mdcinc.org
- **OR call the Connectinc Helpline at 1-888-927-3230**

NC Adopts State EITC

- In 2007, the NC General Assembly adopted a state EITC
- Covers everyone eligible for federal EITC
- Estimated average of \$57 or 3.5 percent of Federal Credit
- For more information, visit NC Justice Center - www.ncjustice.org

To contact us:

Lucy Gorham, Senior Program Director
Tiki Windley, Program Manager
EITC Carolinas Initiative
MDC, Inc.

400 Silver Cedar Court, Suite 300
PO Box 17268
Chapel Hill, NC 27516-7268

Direct Line: (919) 969-2682

MDC main number: (919) 968-4531

Fax: (919) 929-8557

E-mail – lgorham@mdcinc.org

Web site: <http://www.mdcinc.org> and www.eitc-carolinas.org



The NC Asset Building Policy Task Force

History

- For several years, the IDA and Asset Building Collaborative had talked about the need for an asset building policy initiative;
- Two years ago at the first NC Financial Education and Asset Building Collaborative, a decision was made to launch the effort by a number of organizations, including the NC Council on Developmental Disabilities

Over 40 Participating Organizations

- Action for Children NC
- NC Council on Developmental Disabilities
- The Arc of North Carolina
- NC Housing Coalition
- NC Justice Center
- NC Office of the Commissioner of Banks
- NC Rural Economic Development Center
- United Way of North Carolina
- NC Division of Social Services

Select orgs; complete list available

Goals

- Identify state policies to support asset building among low and moderate-income families and persons with disabilities
- Prioritize policy initiatives that have promise of implementation
- Learn more about each others' work and issues

Goals (continued)

- Write a report on state asset building policies issued by the Task Force
- Undertake education and outreach using report as a framework
- Identify useful program models in addition to policy
- Design and implement demonstration projects

Framework

- ***Earn It:***

- Policies that enhance the ability of families to earn an adequate level of income and benefits to allow them to save and build assets;

- ***Keep It:***

- Policies that help consumers to preserve and protect assets;
and

- ***Make It Grow:***

- Policies that help families to invest and grow their assets over time.

Priority Recommendations

NC Asset Building Policy Task Force

- **Ensure that all North Carolina School Children Receive a Basic Level of Financial Education through the K-12 Public School System**
 - Includes modules appropriate for the state's students with disabilities in special education;
 - Include review and identification of need for financial education as part of required transition plans for youth with disabilities age 14 and older in the public education system.

Priority Recommendations

NC Asset Building Policy Task Force

- **Establish Universal Savings Accounts for Children (USA-Cs).**
 - For purposes of determining eligibility for SSI benefits for adults with disabilities, the Universal savings account would be excluded from counting as an asset. The account should not adversely impact eligibility for SSI or other public benefits that may be essential for survival for an individual with a disability.

Priority Recommendations

NC Asset Building Policy Task Force

- **Expand the current system of Individual Development Account (IDA) programs throughout the state by a) increased funding; and b) expanding allowable uses of IDA funds.**
 - Expand the allowable use for IDA funds to include purchase of a vehicle and/or technology as well as home modifications.
 - Expand marketing and outreach to the disability community to increase their awareness and use of an IDA and strengthen supports for them in meeting their asset goals once in the program.

Priority Recommendations

NC Asset Building Policy Task Force

- **Increase the availability of affordable and accessible housing by: a) substantially increasing the NC Housing Trust Fund; and b) making needed reforms to the regulation of the state's stock of manufactured housing.**
 - For individuals with disabilities, accessibility may often be a challenge equal to affordability. Following the lead of the Kentucky Housing Finance Corporation, the North Carolina Housing Finance Agency will modify requirements for all publicly financed multi-family housing to adopt universal design standards for improved accessibility.

Priority Recommendations

NC Asset Building Policy Task Force

- **Create a cross-state agency workgroup on asset protection, leveraging, and accumulation for working age adults with disabilities by Governor's Executive Order that requires a report within six months on policy and funding recommendation to reduce barriers and create incentives to a better economic future.**

Next Steps

- Issuing full report
- Advocacy
- Demonstration projects

Contact

- NC Asset Building Policy Task Force
 - Lucy Gorham
MDC, Inc./EITC Carolinas Initiative
lgorham@mdcinc.org
919-969-2682
 - Shayna Simpson-Hall and Monica Copeland
IDA and Asset Building Collaborative of NC
sshall@ncidacollaborative.org
mcopeland@ncidacollaborative.org
919-341-6418