

American Recovery and Reinvestment Act

Tax Credit Programs That Help Working Families Earn It, Keep It, and Grow It

The federal stimulus package offers an array of tax credit opportunities for low-income working families that fit well within the rural family economic success (RuFES) practices. Each of these tax credits helps working families and their communities in two ways:

- When low-income families file for and secure the credit, it puts more money in their pockets. That helps them make ends meet and get ahead.
- These families tend to spend most of those dollars in their communities – which boosts the sales receipts of local businesses, and sales tax revenue (where collected) that helps maintain community services – and employ local people.

The credits come out of federal dollars. If they are not claimed, the money is simply left on the table, and local families and communities lose out. Your organizations can get easy, quick and sometimes dramatic wins by helping people learn about, file and claim these credits, and by supporting or providing publicity, free tax filing assistance through VITA sites, other innovative rural outreach – and many other creative things.

The IRS page that has detailed information on each of the following credits can be found at:

<http://www.irs.gov/newsroom/article/0,,id=204335,00.html>.

Earned Income Tax Credit

A temporary increase in the earned income tax credit (EITC) is provided for low-income taxpayers with three or more qualifying children. This change applies for 2009 and 2010 tax returns. The maximum annual EITC for this new category is \$5,657. The credit is **refundable**, which means you can get a refund for any amount of the credit that remains after your taxes are covered. Taxpayers can file amended returns, claiming credits for up to three years prior if they qualified and neglected to claim it in those years.

Additional Child Tax Credit

Under the Stimulus, **500,000** more rural families nationwide (**900,000 children**) are eligible for a significantly expanded child tax credit. This is a **refundable** credit: if the credit is more than the taxes they owe, families can receive a payment for some or all of the remaining credit. Taxpayers may receive refunds even when they do not owe any tax – *but only if they file*.

Making Work Pay Tax Credit

In 2009 and 2010, the Making Work Pay provision of the Stimulus will provide a **refundable** tax credit of up to \$400 for working individuals and up to \$800 for married couples filing joint returns. For people receiving a paycheck who are subject to withholding, the credit will typically be handled by employers by reducing the amount the employer withholds – which increases every regular paycheck. Workers who do not have taxes withheld by an employer may also claim the credit.

Tax Exemption for Unemployment Benefits in 2009

Under ARRA the first \$2,400 of unemployment benefits received in 2009 is tax free. This applies only for 2009.

Trade Adjustment Assistance Health Coverage Improvement Act

Passed as part of ARRA, this offers a tax credit for health insurance premiums for participants in the Trade Adjustment Assistance program. This program assists workers who have lost jobs due to plants/businesses relocating out of the country.

COBRA Health Insurance Continuation Subsidy

ARRA establishes an employer-provided subsidy for employees who involuntarily lose their jobs. The subsidy: 65% of COBRA continuation premiums for themselves and their families for up to nine months.

Sales Tax Deduction for Vehicle Purchases

For purchases after February 17th, 2009, a sales tax credit is available for the amount of sales tax paid on up to \$49,500 of the purchase price of an eligible motor vehicle. This credit is not refundable – you can only apply it to reduce taxes you owe.

First Time Homebuyer Tax Credit

First time homebuyers may be able to take advantage of a tax credit for homes purchased in 2008 or 2009. For 2008 purchases, it is valued up to \$7,500; for 2009 purchases, it increases to \$8,000. Coupled with expanded federal support for other homeownership programs and lower home prices, this credit may make this the ideal time to help low-income families *Grow It* by purchasing homes.

Energy Incentives for Individuals and Businesses

Tax credits cover cost of installing energy efficient windows, doors and heating/cooling equipment. Credit maximum is \$1,500 – a \$1,000 increase over the current provision. This credit is not refundable – you can only apply it to reduce taxes you owe.