

Tax Incentives For People with Disabilities Who Work

Earned Income Tax Credit (EITC)

The federal Earned Income Tax Credit can reduce taxes for low income workers. To claim the Earned Income Tax Credit:

- You must have earned income from employment or self-employment. In addition, employer-paid disability benefits can count as earned income for the EITC, even if you aren't currently working.
- If you are married, you must file taxes jointly with your spouse (cannot be "married filing separately").
- You cannot have investment income of more than \$3,100 for 2009.
- Your earned income and adjusted gross income must be less than:
 - \$13,440 (\$18,440 if married filing jointly) if you do not have children, you are at least age 25 and under 65, and you do not qualify as a dependent on the tax return of another personor
 - \$35,463 (\$40,463 if married filing jointly) if you have one qualifying child (see below)or
 - ***\$40,295 (\$45,295 if married filing jointly) if you have two qualifying children (see below)or
 - \$43,279 (\$48,279 if married filing jointly) if you have three or more qualifying children (see below)

Note: These figures are for 2009 tax returns. They typically increase each year.

A "qualifying child" includes your son, daughter, stepson, or stepdaughter, including an adopted child. It also includes a sibling, grandchild or foster child whom you care for as your own child. The child must have been under age 19 at the end of the tax year; or under

age 24 and a full-time student; or **any age if the child is permanently and totally disabled**. The child must have lived with you in the United States for more than half of the year and cannot be claimed as a qualifying child on the tax return of anyone else.

The amount of the Earned Income Tax Credit depends on your income and the number of children you have. For 2009 tax returns, the maximum credit someone with no qualifying children can receive is \$457. Someone with one qualifying child can receive up to \$3,043, with two qualifying children up to \$5,028 and someone with three or more qualifying children can receive up to a maximum of \$5,657.

The Earned Income Tax Credit is refundable. For example, if you owe \$200 in federal taxes and qualify for a \$350 Earned Income Tax Credit benefit, you can receive a refund check from the Internal Revenue Service for \$150. **You may get money from the Earned Income Tax Credit even if you don't owe any tax!** Earned Income Tax Credit refunds are not counted as income. They do not affect the amount of benefits you receive under most government benefit programs.

If you are on SSI (Supplemental Security Income), Medical Assistance or other programs with asset limits, the Earned Income Tax Credit refund may count as an asset if you decide to save it. Since March 2004, the SSI program has allowed recipients to save their Earned Income Tax Credit refund for up to 9 months, even if it puts them over the \$2,000 SSI resource limit during those months. Other programs allow you to keep an Earned Income Tax Credit refund that exceeds the asset/resource limit for only one month after it is received, so check with your benefit providers. (Since the SSDI –Social Security Disability Insurance--program has no asset limits, this does not apply to people on SSDI.)

Minnesota Working Family Tax Credit

If you qualify for the Earned Income Tax Credit on your federal taxes, you can also claim the Minnesota Working Family Tax credit on your state taxes. To learn more, call the Minnesota Department of Revenue Income Tax Helpline at 651-296-3781 or 1-800-652-9094 (MN Relay – 711).

Free Tax Help

From February 5th through April 15th, volunteers help people with low incomes fill out their tax forms at various locations around Minnesota. For the dates, times and locations of free tax assistance clinics, call: 651-297-3724 or 1-800-657-3989. Free tax help clinics will also be listed on the Internet at:

www.accountabilitymn.org or

http://www.taxes.state.mn.us/vita/free_tax_prep.shtml.

*** The American Recovery and Reinvestment Act (ARRA) provides a temporary increase in EITC and expands the credit for workers with three or more qualifying children. These changes are temporary and apply to 2009 and 2010 tax years.



Answers, Choices, Possibilities

The MN Work Incentives Connection thanks the U.S. Internal Revenue Service, the Minnesota Department of Revenue and Mid-Minnesota Legal Assistance for the information included in this flyer.