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A little help from the IRS

Earned income tax credit can be a blessing to many low-income workers

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For Regina Hudson, a widowed mother of two, money always seems to be tight. Hudson, like others throughout Delaware, is struggling with higher health care costs and bracing for a spike in her electric bill.

"It seems like everything is going up," she said. But the burden on Hudson is easing because of help from what may seem an unlikely source - the federal tax code.

Hudson is expecting a big check soon from the IRS, thanks to the earned income tax credit. "This is just a blessing," said Hudson, 46, who lives in Bear and works as a teacher's aide.

She's receiving \$2,914 through the earned income tax credit program. The maximum amount one can get is \$4,400. Last year, 54,900 Delawareans got a total of \$97.8 million - an average of \$1,780 per tax return - through the earned income tax credit, according to the IRS.

In some cases, people getting the credit - which is available to low-income workers - have annual incomes of less than \$10,000. But if you are single and have two children, your taxable income can be as high as \$35,260 without losing eligibility for the credit. The credit also can boost a refund you already are receiving through other tax credits, such as those that are child-related.

The challenge for taxpayers is that it can be complicated to figure out whether you qualify, said Kay Bell, tax editor with North Palm Beach, Fla.-based Bankrate.com, a personal finance Web site.

There are, for example, age restrictions - if you don't have children, you must be at least 25 but not older than 65 to get the credit. If custody of children is split between two parents, that can also complicate claiming the credit.

Perhaps because of the complexity, or perhaps just because many people haven't heard of the earned income tax credit, the IRS estimates that as many as 25 percent of taxpayers who are eligible fail to claim it on their returns.

Highlighting the credit

In Delaware, a coalition of nonprofit groups - including the Wilmington-based **Nehemiah Gateway** Community Development Corp., the Georgetown-based First State Community Action Agency and state Treasurer Jack Markell - is leading an effort to make sure the earned income tax credit doesn't become a secret.

The two organizations offer free statewide help in applying for the earned income tax credit at 23 schools, churches, libraries, community centers and other locations from Claymont to Lewes. At three locations - the First State Community Action Central Sussex office in Georgetown, St. Paul's Catholic Church in Wilmington and the West End Neighborhood House, also in Wilmington - volunteers help Spanish-speaking taxpayers.

The First State Community Action Agency also provides free tax preparation and help with the earned income tax credit out of a computer-equipped van that visits communities in Kent and Sussex counties. The help will be available through April 15.

The volunteer preparers, who are trained by the IRS, fill out tax returns to determine if the taxpayers are eligible for the earned income tax credit. Volunteers help taxpayers apply for the credit as part of completing each tax return. To receive the free tax-preparation help, your household income can't exceed \$40,000.

For a person with two children and earning \$7 an hour, the maximum earned income tax credit benefit of \$4,400 would have the effect of adding \$2 to the person's hourly wage, Markell estimated.

"If you are eligible for the earned income tax credit and you don't claim it, you are leaving money on the table," Markell said. "People are leaving money with the federal government, and the reason is that they don't know about the credit."

Free tax preparation by itself can be welcome assistance. Maribel Pedrosa, a married mother of two who lives in New Castle, said she used to have to pay as much as \$160 to have her taxes done by a professional. She said that, thanks to the work of the volunteer preparer, this year she's getting a refund - including the earned income tax credit and other credits - of nearly \$7,000.

"I would recommend this service," said Pedrosa, who works as a hair stylist. "They're very nice, very helpful."

At the tax-preparation sites, volunteers give out information about other benefits for low-income people, including child-care subsidies.

"It's not only the earned income tax credit. We talk about other services, too," said Bernice Edwards, executive director of the First State Community Action Agency.

Hope to reach 10,000 taxpayers

Last year, volunteers completed 8,000 returns for Delawareans. This year - the program's fifth - organizers are hoping to help about 10,000 taxpayers, said Mary Dupont, **Nehemiah Gateway's** executive director. The slogan for the statewide earned income tax credit campaign is: "Tax breaks aren't just for the rich. Get yours, too!"

"The purpose of this program is to try to get every last dime out of the tax code for working people," Dupont said.

In addition to the help available through the Delaware campaign, the IRS also has an interactive tool on its Web site, www.irs.gov, that helps people determine if they are eligible for the earned income tax credit.

The General Assembly in 2005 adopted a state version of the earned income tax credit, equal to about 20 percent of the federal credit. The Delaware credit became effective this year, meaning that taxpayers can claim it in the next tax filing season when they are doing their 2006 returns.

A tax credit can be a great boon to taxpayers because the amount of the credit reduces dollar-for-dollar the amount of tax you would owe otherwise. And the earned income tax credit has the added benefit of being refundable, meaning that, if the amount of the credit exceeds what you owe in taxes, the IRS will send you a check for the difference, said Bankrate's Bell.

For example, say your federal tax bill for the year came to \$500 and you were entitled to the maximum earned income tax credit of \$4,400. In this case, the IRS would send you a check for \$3,900. In some cases, taxpayers can receive the earned income tax credit even if they didn't owe any taxes for the year, Bell said.

Hudson, the Bear mother of two, said she's urging friends and acquaintances to make sure they take advantage of the earned income tax credit.

"I mention it to everyone I know that might qualify," Hudson said. "A lot of people have no idea there is a program like this."

Contact Ted Griffith at 324-2880 or tgriffith@delawareonline.com.

WHO QUALIFIES?

The earned income tax credit is a federal tax benefit established by Congress in 1975 for low-income working people. If you are eligible for the credit, you could receive up to \$4,400 in cash or credits. A tax credit reduces your tax bill dollar for dollar. If you didn't owe any taxes for the year, the earned income tax credit is granted to you in the form of cash.

To get the earned income tax credit, your 2005 taxable income (adjusted gross income) cannot exceed the following levels:

\$35,263 (\$37,263 if married filing jointly) with two or more qualifying children.

\$31,030 (\$33,030 if married filing jointly) with one qualifying child.

\$11,750 (\$13,750 if married filing jointly) with no qualifying child.

Internal Revenue Service

WHERE HELP IS AVAILABLE

For more information about the Delaware Earned Income Tax Credit Campaign, call (800) 464-4357 or visit www.nehemiahgateway.org. The following are locations where free help with tax preparation and the earned income tax credit is available through April 15:

NEW CASTLE COUNTY

Boys & Girls Club of Greater Newark, U.S. 40. 6-9 p.m. Mon. 9 a.m.-3 p.m. Sat.

Claymont Community Center, 3301 Green St. 6-9 p.m. Tue., Thu.; 9 a.m.-3 p.m. Sat.

Ezion Mt. Carmel United Methodist Church, Eighth and Walnut streets, Wilmington. 9 a.m.-1 p.m. Mon., Tue., Wed., Fri.; 9 a.m.-5 p.m. Sat.

New Ark United Church of Christ, 314 E. Main St., Newark. 9 a.m.-4 p.m. Sat.

Newark Free Library, 750 Library Ave. 5-8 p.m. Mon.-Tue.

PAL Center, 38th and Market streets, Wilmington. 6-9 p.m. Tue.-Wed.

Rosehill Community Center, 19 Lambson Lane, New Castle. 6:30-9:30 p.m. Mon., Wed.

St. Paul's Catholic Church, Fourth and Jackson streets, Wilmington. 6-9 p.m. Tue.-Wed.; 9 a.m.-3 p.m. Sat. Spanish spoken.

Shiloh Baptist Church, 23rd and Washington streets, Wilmington. 6-9 p.m. Mon., Thu.; 9 a.m.-3 p.m. Sat.

West End Neighborhood House Child Development Center, Eighth and Scott streets, Wilmington. 6-9 p.m. Mon., Thu.

Wilmington Job Corps Center, 9 Vandever Ave. 6-9 p.m. Tue., Thu.

KENT COUNTY

Boys & Girls Club, 240 E. Commerce St., Smyrna. 6-9 p.m. Mon., Thu.

Capitol Park Community Center, 2 N. Capitol Ave., Dover 9 a.m.-1 p.m. Sat.

Modern Maturity Center, 1121 Forrest Ave, Dover. 6-9 p.m. Mon., Tue.; 9 a.m.-3 p.m. Sat.

Star Hill AME Church, 357 Voshell Mill Road, Dover. 5-9 p.m. Fri.

Wilmington College, U.S. 13 at Scarborough Road, Dover. 10 a.m.-2 p.m. Mon., Wed., Fri.

SUSSEX COUNTY

Apostolic Church of Jesus Christ, 74 Bethany Lane, Selbyville. 5-9 p.m. Wed.

First State Community Action, 211 N. Race St., Georgetown. 6-9 p.m. Tue.; 9 a.m.-1 p.m. Sat. Spanish spoken.

Hollybrook Apartment, Discount Land Road, Laurel. 5-9 p.m. Tue.

Pinetown Community Center, 2 Pinetown Road, Lewes. 5-9 p.m. Thu.

Reformation Lutheran Church, 613 Lakeview Ave., Milford. 6-9 p.m. Tue., Thu.

Seaford Community Pool, 320 Virginia Ave. 6-9 p.m. Tue., Thu.

Student Services Center, staff dining hall, Delaware Technical & Community College, Owens Campus, Del. 18, Georgetown. 6-9 p.m. Mon., Wed., Thu.