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Give employees tax break without spending a dime

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Delaware Voice

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Why should businesses care about the earned-income tax credit? It's simple. It's a tax credit for low-income people who work for them. Business Week magazine called it "a tax credit that delivers."

One of the goals of the tax credit is to make work pay. When the earned-income tax credit exceeds the amount of tax owed, a refund goes to those who claim and qualify for the credit. Workers with earned income of up to \$37,000 are eligible, depending on marital and parental status. Refunds can go up to \$4,000.

Families use their refund money to pay for necessities, fix their homes and cars needed to commute to work. They can get additional education or job training to boost their employability and earning power.

The earned income tax credit has been credited with lifting 2.4 million children of working families above the poverty line in 2003 - more children annually than any other federal program.

The tax credit is a good way for employers to boost employees' paychecks without spending a dime. It's a great way to create goodwill, which in turn can lead to job retention, good attitudes and productivity.

For small businesses, this is especially important. According to the U.S. Chamber of Commerce, not only can businesses lower their upfront tax liability and increase the take-home pay for low-wage workers, the tax credit "reduces the risk that small business owners take in hiring entry-level workers and increases the likelihood that they can retain these workers longer."

Congress approved the tax credit in 1975 to offset the burden of Social Security taxes and provide an incentive to work.

Delaware has taken things one step further. Legislation passed in 2005 creates a state earned-income tax credit that will result in a savings up to \$475 for those who qualify for the federal program. More than 55,000 Delawareans claimed total credits of more than \$98 million for tax year 2004. That's an average refund of \$1,780.

However, many are missing out. The Internal Revenue Service estimates that about 20 percent of eligible workers do not claim the earned income tax credit.

These people need to be reached, and business must help reach them. This doesn't require a huge commitment. All employers have to do is to get the word out to their employees.

Delaware's EITC Campaign promotes awareness to workers with household incomes under \$37,000. It offers free tax preparation in conjunction with the IRS volunteer assistance program. And it links customers to information and services to increase economic self-sufficiency. More than 30 Delaware companies are involved in the campaign.

Here are some ways that businesses can help:

Put an item in the company newsletter or include notices in employee paycheck envelopes. Sponsor volunteer income tax assistance sites in the community where volunteers prepare tax returns for those who can't prepare their own and can't afford a tax preparer.

More than 55,500 Delawareans filed earned-income tax claims for 2004. Businesses can ensure that number grows.

James A. Wolfe is president of the Delaware State Chamber of Commerce.

LEARN MORE

To participate in the earned income tax credit program in Delaware, contact **Nehemiah Gateway** CDC at 655-0803 or e-mail info@nehemiahgateway.org.