

M&Y INTERNATIONAL FINANCIAL SERVICES NEWSLETTER



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THOUSANDS MISS OUT ON EARNED INCOME TAX CREDIT BECAUSE THEY DON'T FILE

The Earned Income Tax Credit is the biggest single check many working families see in a year. But they have to file a tax return — and be aware of the credit — to get the money.

Three years ago, low- to moderate-income households in Detroit left upwards of \$80 million in unclaimed money by not claiming the credit. It was estimated that about 26,000 Detroit households were eligible for the credit but did not file tax returns to apply.

After a targeted awareness campaign that began in 2017, though, city officials say an average of 13,500 more Detroit residents each year have claimed their EITC. On average, \$63 million more is being claimed each year.

“Perkins, a single mother with two children ages 7 and 1, expects to receive a tax refund of about \$6,000 this year for state and federal taxes. It's money she plans to save and use one day toward opening her own business offering assisted living to the elderly.”

About \$300 million has been claimed on average annually for the 2016 and 2017 tax years by Detroiters. The average EITC Refund: \$4,600. The amounts represent a combination of state and federal earned income tax credits.

Nearly 88,000 returns for Detroiters included the Earned Income Tax Credit.

"It was a blessing to learn about this tax credit," said Renee Perkins, 29, who works at MGM Grand Detroit at game tables dealing cards.

Perkins, a single mother with two children ages 7 and 1, expects to receive a tax refund of about \$6,000 this year for state and federal taxes. It's money she plans to save and use one day toward opening her own business offering assisted living to the elderly.

In the past, she has used the credit to pay down her debt and also put a down payment on a home once owned by the Detroit Land Bank.

"The extra cash helped me to accomplish a lot," she said Tuesday as part of a awareness campaign event held at Focus: HOPE in Detroit.

Even so, the credit still remains overlooked by thousands of families. Here's what you need to know:

Who qualifies to get the credit?

You must have earned income from a job and meet other requirements. For example, both your earned income and your adjusted gross income must be less than \$45,802 in 2018 to qualify if you are single and have two qualifying children.

The limit is less than \$51,492 for married couples filing a joint return with two qualifying children.

What's the credit worth?

The credit, for example, can be worth up to \$6,431 this year for a working couple who qualifies with three or more children.

But the size of the tax refund would vary considerably depending on your income, filing status and the number of qualifying children claimed on the tax return.

To claim the credit, a tax return must be filed.

The refundable tax credit enables tax filers to get back more from the federal government than you paid in taxes, so there's a good chance for a significant refund.

Do you need a child to get the credit?

No. But the income limits and the actual amount of the credit are significantly lower for those without children.

The credit ranges from \$2 to \$519 for those with no qualifying children.

If you do not have children, your earned income and adjusted gross income must be less than \$15,270 if you're single to qualify for the credit. The limit is \$20,950 for those who have no children and are married filing a joint return.

Special EITC rules also apply for calculating the credit for those receiving disability benefits or have a qualifying child with a disability, members of the military, and ministers or members of the clergy.

Why don't people file for the credit?

Some don't understand the credit. They might not have qualified in other years but may qualify now because their income has fallen.

Some people think they just paid their taxes through payroll withholding and don't need to file a return. They don't understand how the complex credit can help get them more money.

Some people who don't make a lot of money may not actually be required to file a federal income tax return.

For some people, things could be more confusing this tax season.

Under the new tax rules, the filing requirement thresholds have increased on 2018 returns somewhat because of the new standard deductions, according to Marshall Hunt, certified public accountant and director of tax policy for the Accounting Aid Society's tax assistance program in metro Detroit.

"For example, as a general rule, a single person under 65 is required to file with gross income of \$12,000 or more," Hunt said.

"And for a married filing joint couple under 65 it's \$24,000."

Last year, he noted, the amounts were \$10,400 and \$20,800. However, many should file in order to get a refund money through credits such as the Earned Income Tax Credit even if they're not required to file, Hunt said.

Returns can be amended for up to three years for any unclaimed benefits.

Families and individuals with incomes up to \$55,000 may be eligible for the Accounting Aid Society's free full service tax help. If so, the service offers to prepare and file your federal, state and local income tax returns, and to ensure you receive all of your federal and state Earned Income Tax Credits.

When do you receive a tax refund?

Early filers may have to wait longer than expected, if they're claiming the Earned Income Tax Credit or the Additional Child Tax Credit on a tax return.

The Protecting Americans from Tax Hikes Act, passed in 2015, mandated that the Internal Revenue Service cannot issue tax refunds that benefit from the Earned Income Tax Credit or the Additional Child Tax Credit before mid-February. The mid-February rule was put into place to combat tax refund fraud.

This tax season, the IRS said people will have to wait until at least Feb. 27 for refunds with those credits to be available in their bank accounts or on their debit cards via direct deposit. That's if there are no other issues with their tax return.



The Value You Expect