



CDSS

WILL LIGHTBOURNE  
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY  
**DEPARTMENT OF SOCIAL SERVICES**

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EDMUND G. BROWN JR.  
GOVERNOR

November 2, 2015

ALL COUNTY LETTER (ACL) NO. 15-87

REASON FOR THIS TRANSMITTAL

- State Law Change
- Federal Law or Regulation Change
- Court Order
- Clarification Requested by One or More Counties
- Initiated by CDSS

TO: ALL COUNTY WELFARE DIRECTORS  
ALL CaWORKs PROGRAM SPECIALISTS  
ALL CALFRESH PROGRAM SPECIALISTS  
ALL CONSORTIA PROJECT MANAGERS  
ALL COUNTY CHILD CARE COORDINATORS

SUBJECT: CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CalWORKs) PROGRAM: FEDERAL AND STATE EARNED INCOME TAX CREDITS (EITCs)

REFERENCE: H.R. 8, AMERICAN TAXPAYER RELIEF ACT OF 2012, PUBLIC LAW (PL) 112-240; H.R. 4853, TAX RELIEF, UNEMPLOYMENT INSURANCE REAUTHORIZATION, AND JOB CREATION ACT OF 2010, PL 111-312; H.R. 1, AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009, PL 111-5; TITLE 26 – INTERNAL REVENUE CODE, §§ 6409; WELFARE AND INSTITUTIONS CODE (W&IC) 11322.5; SENATE BILL (SB) 80 (CHAPTER 21, STATUTES OF 2015); ALL COUNTY LETTERS 13-46, 11-13, 11-13E, 09-22, AND 08-11; MANUAL OF POLICY AND PROCEDURES (MPP) 44-101(I)(SAR)(1), 44-111.3(I), 44-111.61(I) AND 42-213.518.

The purpose of this All County Letter (ACL) is to notify the County Welfare Departments (CWDs) of the current federal EITC and new state EITC for low-income working individuals and families and how both EITCs impact the CalWORKs program.

On June 24, 2015, Governor Brown signed into law SB 80 (Chapter 21, Statutes of 2015) making California the 26th state in the nation and the District of Columbia to have a state EITC. A California EITC will be available for qualified tax filers in 2016 for the 2015 tax year. The budget for a state EITC is \$380 million for the Fiscal Year 2015-16. The CWDs are to continue to follow the CalWORKs rules on the EITC as described in the CalWORKs Reminders section of this ACL.

## **Federal EITC**

The federal EITC is a refundable credit for qualifying individuals and families and claimed when the credit amount exceeds the tax amount owed by a tax payer. Individuals must have earned income from employment or self-employment as one of the basic requirements, and must file the federal tax return in order to claim their EITC refund. For all the federal EITC qualifications, tax filers can go to <http://irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit> or contact the IRS by phone at 800-829-1040 for assistance.

## **State EITC**

The state EITC complements, but does not mirror, the federal credit. It provides a refundable credit which matches 85 percent of the federal credit for the lowest-income households in California in the 2015 tax year. The Franchise Tax Board (FTB) recently released information about California's state credit on their website with a comparison chart of income limits for both state and federal EITCs. California's state EITC has the same general eligibility requirements as the federal EITC, but is limited to earned wages of one dollar or more that are verifiable. The state credit will be available with tax returns filed for income earned in 2015. The FTB defined "earned income" as W-2 wages, salaries, tips and other employee compensation, but only if such amounts are subject to California withholding. **Self-employment income is specifically excluded from "earned income."** For additional questions, tax filers can go to <https://www.ftb.ca.gov/> and search for EITC or contact FTB at 800-852-5711.

Table 1. California State and Federal EITC Maximum Income Limits for 2015 Tax Year\*

Number of Qualifying Children	State EITC	Federal EITC
None	\$6,580	\$14,820 (\$20,330 if married filing jointly)
1	\$9,880	\$39,131 (\$44,651 if married filing jointly)
2	\$13,870	\$44,454 (\$49,974 if married filing jointly)
3 or more	\$13,870	\$47,747 (\$53,267 if married filing jointly)

The table above shows the fully phased-out ranges for both federal and state EITCs, for working individuals and families, at the maximum income limit allowed. The state credit will help in providing additional assets to the poorest individuals and families with the lowest earnings in California. In addition, those who are eligible for the federal EITC will continue to receive an extra boost to their income until their earned wages exceed the federal EITC income limits.

Table 2. California State and Federal EITC Maximum Credits for 2015 Tax Year\*

Number of Qualifying Children	State EITC (with 85% EITC adjustment factor)	Federal EITC
None	\$214	\$503
1	\$1,428	\$3,359
2	\$2,358	\$5,548
3 or more	\$2,653	\$6,242

\*Compiled data in Tables 1 and 2 were obtained from the Internal Revenue Services (EITC Income Tables, [2015 Tax Year](#)), Franchise Tax Board ([Tax News Release August 2015](#)) and SB 80 Bill Analysis (Committee on Budget and Fiscal Review, June 2015).

### **CalWORKs and CalFresh Reminders**

**Treatment of EITC:** Pursuant to ACL 13-46, issued June 10, 2013, MPP Section 44-111.61(l) currently exempts EITC payments from consideration as income in determining CalWORKs eligibility or grant levels. PL 112-240 (Section 103) further specifies these payments are to be permanently excluded as income when determining eligibility and grant amounts in the CalWORKs and CalFresh programs.

Effective January 1, 2013, CWDs must exempt both state and federal EITC payments and refund payments, from resource consideration for CalWORKs and CalFresh applicants and recipients for 12 months starting with the month of receipt of the payment.

**CalWORKs:** If a CWD becomes aware of any cases in which tax credits and refunds were incorrectly treated as income or a resource when determining eligibility for an applicant or when calculating a cash grant for a recipient, the CWD must take corrective action to re-evaluate the eligibility and recalculate prior cash grants excluding the tax credit and refund payment. In cases that indicate an underpayment has occurred, or an applicant was denied due to a tax credit or refund payment, the CWD shall restore any aid that the applicant or recipient was entitled to, after offsetting any existing overpayments for the case.

**Client Notification:** CWDs are strongly encouraged to inform CalWORKs recipients that they will be able to retain these tax refunds for 12 months without incurring a penalty so they do not have to "spend down" their savings to stay below CalWORKs resource limits and maintain eligibility. The CWDs can also use this opportunity to remind clients about the saving benefits of having restricted accounts for specific purposes including a home purchase, education or training, start up of a new business, or homelessness prevention; retirement accounts (401 (k), 403 (b), 457, IRA, etc.); and education accounts (529 and Education Savings Account (ESA)).

**EITC Outreach and Publications:** The FTB plans to strengthen and increase their education and outreach efforts to raise more awareness among Californians regarding the new state EITC program while the IRS continues with their campaign to promote the public awareness of the federal EITC. The IRS recorded that there were 3.1 million federal EITC claims in California which resulted in a total of \$7.9 billion refunded to filers for the 2013 tax year with the average claim amount of \$2,373.

The CWDs are strongly encouraged to inform and assist recipients of the many benefits of EITC participation including maximizing their receipt and use of the credits. The EITC brochures - Pubs 428 and 429 - are available on the CDSS forms website at: <http://www.cdss.ca.gov/cdssweb/PG167.htm>.

In addition, the EITC Pubs 428 and 429 will be updated to include both federal and state EITC information for the 2015 tax year in English and Spanish languages. These publications will be made available in the additional languages of Chinese, Russian, and Vietnamese, as an effort to assist CWDs with EITC education and outreach to other communities through language accessibility of the publications. The Pub 428 is in a Z-fold brochure format and the Pub 429 is in a one-page flyer format.

**EITC Resources:** The CWDs are encouraged to share the information and materials about both state and federal EITCs in public accessible areas. Please find below a list of EITC resources that CWDs can utilize to further assist the CalWORKs working families.

- Volunteer Income Tax Assistance (VITA) at <https://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers> offers free tax assistance to working individuals and families with income of \$53,000 or less.
- WeConnect ([www.WeConnect.net](http://www.WeConnect.net)) provides free tax preparation, and is also a resources center for underserved communities by providing information about health, money, jobs, food, housing, taxes, education and immigration.
- CalFile (<http://ftb.ca.gov>) is a free California filing taxes online.
- EITC Assistant through the IRS website (<http://www.irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit/Use-the-EITC-Assistant>) in English and Spanish versions for current tax year and for prior years.
- 2-1-1 California is a statewide information and referral network. Go to [www.211california.org](http://www.211california.org) to locate your local 211 in your area.

## **CAMERA READY COPIES AND TRANSLATIONS**

For camera-ready copies in English, contact the Forms Management Unit at [fmudss@dss.ca.gov](mailto:fmudss@dss.ca.gov). If your office has internet access you may obtain these publications from the CDSS webpage at <http://www.dss.cahwnet.gov/cdssweb/PG167.htm>

When all translations are completed per Manual of Policies and Procedures (MPP) Section 21-115.2, including Spanish forms, they are posted on an on-going basis on the CDSS webpage. Copies of the translated forms can be obtained at [http://www.dss.cahwnet.gov/cdssweb/FormsandPu\\_274.htm](http://www.dss.cahwnet.gov/cdssweb/FormsandPu_274.htm).

For questions on translated materials, please contact Language Services at (916) 651-8876. Until translations are available, recipients who have elected to receive materials in languages other than English should be sent the English version of the form or notice along with the [GEN 1365-Notice of Language Services](#) and a local contact number.

CWDs shall ensure that effective bilingual services are provided. This requirement may be met through the utilization of paid interpreters, qualified bilingual employees, and qualified employees of other agencies or community resources. These services shall be provided free of charge to the applicant or recipient. In the event that CDSS does not provide translations of a form, it is the responsibility of the CWDs to provide interpreter services if an applicant or recipient requests them. More information regarding translations can be found in MPP Section 21-115.

This ACL and other CDSS Letters and Notices are available on the internet at: <http://www.dss.cahwnet.gov/lettersnotices/default.htm>

If you have any questions about the publications, please contact the CalWORKs Eligibility Bureau at (916) 654-1322.

Sincerely,

***Original Document Signed By:***

TODD R. BLAND  
Deputy Director  
Welfare to Work Division

Attachments

# California EITC is here! Claim Your 2015 State and Federal Credits



# IT'S YOUR MONEY

## Get It!

### THE STATE AND FEDERAL EARNED INCOME TAX

**CREDITS (EITCs)** are special tax breaks for people who work full or part time. This means extra cash in your pocket. If you have work income, you can file your returns and claim your EITC refunds, even if you don't owe any income tax.



State EITC requires filing of your state tax return (form 540 2EZ or 540) and having earned income reported on a W-2 form (i.e. wages, salaries, and tips) subject to California withholding. Self-employment income cannot be used to qualify for state credit.

Number of Qualifying Children	State EITC Income Limits	State EITC Maximum Credits
None	\$6,580	\$214
1	\$9,880	\$1,428
2	\$13,870	\$2,358
3 or more	\$13,870	\$2,653

### CLAIMING YOUR EITC IS EASY!

Just file your state and/or federal tax returns.  
Be sure to check both state and federal eligibility requirements.

### GET FREE TAX HELP

- CalFile for filing state taxes online at Franchise Tax Board:  
[1-800-852-5711](http://1-800-852-5711) [www.ftb.ca.gov](http://www.ftb.ca.gov)
- EITC Assistant through the Internal Revenue Service:  
[1-800-829-1040](http://1-800-829-1040) [www.irs.gov](http://www.irs.gov)
- Volunteer Income Tax Assistance (VITA) locations:  
[1-800-906-9887](http://1-800-906-9887)
- WeConnect: [www.weconnect.net](http://www.weconnect.net)
- California Budget and Policy Center for state and federal EITC calculator online:  
[http://bit.ly/CA EITC interactive](http://bit.ly/CA_EITC_interactive)



Federal EITC requires filing of your federal tax return (form 1040EZ, 1040 or 1040A and as needed, Schedule Earned Income Credit). You can also file amended returns for three years back if you did not claim your EITC or CTC in prior years. There is no late filing penalty if you do not owe any tax in the prior year.

Number of Qualifying Children	Federal EITC Income Limits		
	Single, Head of Household or Widowed	Married Jointly Filing	Federal EITC Maximum Credits
None	\$14,820	\$20,330	\$503
1	\$39,131	\$44,651	\$3,359
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3 or more	\$47,747	\$53,267	\$6,242

**The Child Tax Credit (CTC)** is for families with earned income. They may get up to \$1,000 for each qualifying child under age 17. See your tax instructions and get Form 1040 or 1040A and Schedule 8812.

### IRS Update

Legalized same-sex couple marriages are recognized and will be treated as married for federal tax purposes (Revenue Ruling 2013-17). The ruling applies to all federal tax provisions where marriage is a factor including: filing status, claiming personal and dependency exemptions, taking the standard deduction, employee benefits, contributing to an IRA and *claiming EITC or CTC*. See Publication 555 or visit IRS website for information.

*The EITC refunds are not counted as income when your CalWORKs, CalFresh or Medi-Cal benefits are calculated.\**

\*Ask your eligibility worker for more details.

# California EITC is here!

## Claim Your 2015 State and Federal Credits

### YOU EARNED IT - IT'S YOUR MONEY

**THE STATE AND FEDERAL EARNED INCOME TAX CREDITS (EITCs)** are special tax breaks for people who work full or part time. This means extra cash in your pocket. If you have work income, you can file your returns and claim your EITC refunds, even if you don't owe any income tax.



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They may get up to \$1,000 for each qualifying child under age 17.

See your tax instructions and get Form 1040 or 1040A and Schedule 8812.

#### GET FREE TAX HELP

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- California Budget and Policy Center for state and federal EITC calculator online: [http://bit.ly/CA EITC interactive](http://bit.ly/CA_EITC_interactive)

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