DEPARTMENT OF BENEFIT PAYMENTS
744 P Street, Sacramento, CA 95814
(916) 322-5330

February 25, 1976

ALL-COUNTY LETTER NO. 76-39

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: FEDERAL EARNED INCOME CREDIT

REFERENCE: ALL-COUNTY LETTER NO. 76-18

We have received additional information from the Department of Health, Education, and Welfare regarding the federal earned income credit for low income persons. This information alters their previous instructions sent you in All-County Letter No. 76-18 regarding treatment of the federal earned income credit for AFDC eligibility and grant determination purposes.

Section 2(D) of Public Law 94-164, a federal congressional mandate enacted December 23, 1975, provides that if the earned income credit is received prior to July 1, 1976, it shall not be taken into account as income or resources for purposes of determining eligibility or grant in the AFDC program. In addition, any amount of the credit remaining in the months after the month in which the payment is received is exempt from consideration as a resource until July 1, 1976. These provisions apply only to those individuals or families who were recipients of AFDC assistance for the month before the month in which such payment is received.

We are advised by the Internal Revenue Service that the earned income credit payment and any tax refund due will be combined in one check. In order to distinguish the amount of the earned income credit from a normal tax refund, (which is treated as net nonexempt income in the month received), it will be necessary to obtain information from recipients. Documentation might include copies of the Wage and Tax Statement (Form W-2) and the U.S. Individual Income Tax Return (Form 1040). If we receive additional information from the Internal Revenue Service regarding the earned income credit we will forward it immediately.

If you have questions, please contact your AFDC Management Consultant at (916) 445-4458.

Sincerely,

Kyle S. McKinsey

KYLE S. McKINSEY
Deputy Director

OBSOLETE

Superseded by ACL #77-15

Issued 3-17-77

cc: CWDA

GEN 654 (2/75)