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What's EITC and how do you get it? Earned income tax credit helps California's low-income earners

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An earned income tax credit can be claimed by working individuals or couples who meet income requirements. In California, that's income of \$6,850 to \$13,870, depending on the number of children. Recipients apply by filing an income tax form. The federal threshold for an EITC ranges from \$14,000 for a single person with no children to \$53,505 for a couple with three or more children.

Go to caleitc4me.org for eligibility requirements and other information on the state and the federal tax credit, which has higher qualifying income levels.

The IRS will begin to release EITC/ACTC refunds starting Feb. 15. The IRS cautions taxpayers that these refunds likely won't arrive in bank accounts or debit cards until the week of Feb. 27 – if there are no processing issues with the tax return and the taxpayer chooses direct deposit. This additional period is due to several factors, including banking and financial systems needing time to process deposits.

In better times, Tanya James would pay an accountant \$250 to \$350 to do her income taxes. As a successful small-business owner, she needed that expertise.

But seven years ago, her youngest child's disability forced James, a single mother of three, to scale back her working hours and drastically downsize financially.

She went from an upper-middle-class lifestyle in Playa Vista, an area on the west side of Los Angeles dubbed "Silicon Beach," to living elsewhere in the county at the poverty level with a disabled adult child.

So the \$325 in extra money that went to James in 2016 from the new California Earned Income Tax Credit was no small change. It helped cover household and educational costs – and eased her mind in case of emergency expenses.

“Just to know if I needed a new tire for the car or new brake pads, at least I had the \$325 I could put toward something major,” James said.

In addition to a similar federal tax credit she received, James said the state money “was like a double sundae with cherries and nuts and whipped cream on top.”

When the so-called CalEITC was introduced last year to boost extremely low-income wage earners filing 2015 tax returns, about 385,000 out of an estimated 600,000 eligible statewide applied for the credit.

By the end of November, that level of claims put more than \$199 million back in the pockets of people making less than \$14,000 a year, according to a snapshot from the state Franchise Tax Board. The average credit: \$519.

CalEITC advocates consider the inaugural year a huge success. Eager to build on that momentum, outreach for this year’s tax season got underway Tuesday with publicity campaigns and free tax-preparation services planned into April.

“It’s got to be easier than last year, because we have all the people we served,” said Joseph Sanberg, founder and chair of the Cal-EITC4Me awareness campaign.

While Sanberg would love to see all eligible wage earners apply for the tax credit, CalEITC4Me has set a goal of at least a 10 percent bump from 2016. The double benefit of being eligible for both the state and federal tax credits – which is typically the case – translates to a huge pot of money for poor families across the U.S., he said.

California is one of 25 states, along with the District of Columbia, with an earned income tax credit in addition to the federal credit. Sanberg said a potential \$80 billion goes unclaimed, largely because the working poor don’t know to apply. The EITC is among several tax credits available, including those related to education, retirement and child care that aren’t just for the poor.

“The monies at stake are huge,” he said. “Think about that – \$80 billion. That’s life-changing.”

The federal tax credit was introduced in the mid-1970s and has had broad bipartisan support as an effective anti-poverty measure. But it is not without controversy. The Libertarian think tank Cato Institute, among other conservative groups, calls the credit a spending program and says its costs outweigh the benefits.

Sanberg unsuccessfully lobbied in Sacramento to raise California’s tax credit income threshold so a full-time worker making the \$10-an-hour minimum wage – \$20,800 annually – could apply. A twin bid to expand the credit to the self-employed, as in the other states and with the federal government, also failed.

“We’re discriminating between the kinds of wages people are making,” Sanberg said of his home state, vowing to continue button-holing legislators.

Sanberg, 37, is a self-made millionaire whose family struggled financially in his youth. After finding success a decade ago on Wall Street, he returned to his native Orange County to pursue philanthropy and business ventures focused on income equity. He lives in Los Angeles.

Sanberg has traveled all over California to promote the earned income tax credit, pouring \$3 million of his own money into the launch of CalEITC4Me last year. So far this year, Sanberg says, he has committed at least \$1 million.

This year the state is helping promote the tax credit, kicking in \$2 million in grants to assist in grass-roots awareness and outreach.

Free tax-preparation services for people generally earning less than \$54,000 (whether or not eligible for the tax credit) are available from community-based organizations through the Volunteer Income Tax Assistance program offered by the Internal Revenue Service. Locations and schedules can be found at caleitc4me.org.

The inaugural year challenge for CalEITC4Me was identifying and engaging people who typically didn't even file tax returns because their income is so low. It's not all that different this time, Sanberg said, but with a solid base to build on.

"The money we are spending this year is all about reaching new people," he said.

Extra attention is being paid to Riverside and San Bernardino counties, two areas in which the tax credit claims fell well below the statewide rate, said Sanberg, who views economic progress in the Inland region as key to California's future. CalEITC4Me's beefed-up effort there includes hiring full-time organizers to canvass poor communities.

"These two counties just don't get the attention they need from the state and from the federal government," Sanberg said. "They are the two fastest-growing counties in the state, but what they give to Sacramento doesn't match what they get back."

Another overlooked group might be people who were once solidly middle class, like Tanya James in Los Angeles, but now find themselves among the working poor because of circumstances beyond their control – job loss or downsizing during the Great Recession, a health crisis, family issues.

Those folks need to know there is no stigma in coming forward to apply for the earned income tax credit, said James, 55, who stumbled upon free tax-prep help at the Korean Youth Community Center. She was attending a networking event at the Koreatown center related to her work in the area of health and wellness management.

"Many times for people such as myself, who at one time had a very enjoyable middle-class lifestyle, then took a huge pay cut, there is the embarrassment and shame, or not knowing you are eligible for such a discount," James said.

For her, there was no loss of dignity: "You can go to a place that's reputable, and it won't make you feel less than the tax-paying citizen that you are."

In Orange County, the local United Way spearheads the OC Free Tax Prep Campaign. Orange County United Way oversees a coalition of 30 public and private partners working to raise awareness and access to the earned income tax credit, said Livi Kerszenbaum, OC United Way's project manager for community impact.

The big push with free tax-prep sessions, manned by trained volunteers, started Saturday in Orange County and will wrap up the weekend before the April 18 filing deadline. (The traditional April 15 deadline is a Saturday, and the following Monday is a holiday, hence the filing extension.) Sessions take place Tuesdays and Thursday to Saturday.

Kerszenbaum said about 300,000 people in Orange County live at or below the federal poverty level and are at risk of financial instability. The VITA program in Orange County is available to those making up to \$60,000. Separately, AARP also does free tax prep for older people filing taxes.

But United Way's main focus is in low-income communities, Kerszenbaum said.

State grant money will be used for more intensive outreach in Westminster, Anaheim and Santa Ana, by partnering with grass-roots organizations rooted in the poorer neighborhoods of those communities, Kerszenbaum said.

United Way is also helping to promote myfreetaxes.com, an easy, do-it-yourself program built by H&R Block for people who earn less than \$64,000 to file their federal and state taxes electronically at no cost.

Said Kerszenbaum: "We say do your taxes in your pajamas."