

Making Work Pay

DIRECTOR'S MESSAGE

This issue has the same theme, Making Work Pay, as our newsletter's inaugural edition, published in February 2000. And like its predecessor of three years ago, its focus is on ways to help refugees successfully transition from employment to self-sufficiency and economic independence.

But the network has come a long way in three years! First, word has spread about such opportunities as the Earned Income Credit (EIC) and the Child Tax Credit, outreach efforts are working, and—as you will read in this issue's *"From the Field"* column—refugee resettlement agencies and employment service providers are now spearheading tax preparation efforts and joining community EIC coalitions. Second, the benefits and financial motivations to work have gotten bigger and better. Third, funders are now taking an active role in this area, as described in our new *"Resource Alert"* column. And fourth, we see a real strategic move to pair EIC with financial literacy and asset building activities to maximize income, to create or supplement savings, and ultimately to build wealth.

RefugeeWorks is extremely proud to be named and again showcased—for the third year running—in the Center on Budget and Policy Priorities' book on How to Promote the EIC for its work on behalf of "people who speak languages other than English." This year we share the honor with the Greater Indianapolis Progress Committee, which worked with the Latino community to dispel myths about filing taxes and to clarify the differences between Social Security numbers and individual taxpayer identification numbers. As always, we would like to hear from you—after the tax time rush—on your efforts to "make work pay" for employed refugees.


Jane E. Bloom, ACSW



EIC BOOSTS WORKERS' PAYCHECKS HIGHER THAN EVER

The Earned Income Credit (EIC), enacted by Congress in 1975, is now the largest federal aid program targeted to the working poor. Nationally, the EIC delivered \$31 billion to low-wage workers last year and helped lift more working families out of poverty than any other federal program. This year an EIC recipient with children will earn an average credit of \$2000. Its purpose is to reduce the tax burden on low-wage workers, to supplement their wages and to make work more attractive than welfare. Single or married people who worked full-time or part-time at some point in 2002 can qualify for the EIC depending on their income.

Sample of 2002 EIC Benefits by Household Income

| 2002 Household Income | Workers raising one child | | Workers raising two or more children | |
|-----------------------|---------------------------|---------|--------------------------------------|---------|
| | Not Married | Married | Not Married | Married |
| \$7,000 | \$2,389 | \$2,389 | \$2,810 | \$2,810 |
| \$11,500 | \$2,506 | \$2,506 | \$4,140 | \$4,140 |
| \$20,000 | \$1,466 | \$1,626 | \$2,770 | \$2,981 |
| \$29,000 | \$28 | \$188 | \$875 | \$1,085 |



Added Boost: State and City Tax Credits

For tax year 2002, 14 states, two localities and the District of Columbia are offering income tax credits that build on and add to the federal government's EIC. Most usually match the federal credit at a fixed percentage, from 5 to 45 percent. Ten states, listed below, make the credit "refundable," in that low-income families are refunded dollars in excess of their tax liabilities. In the other five states, "nonrefundable" earned income credits reduce tax liabilities for those who owe income tax, but provide no benefit to those who work but earn too little to owe state income taxes.

Approximately 25 percent of all federal EIC filers live in states that offer an additional tax credit. Their impact is sizable. In New York City, for instance, last year's state credit boosted incomes by an average of \$424 per family. In Milwaukee, the state EIC supplemented wages of working families by a total of \$18 million. And Denver's EIC, detailed below right, ran as high as \$778 for a family last year.



For more information on state EICs, contact your state department of revenue.

State EICs for Tax Year 2002



Recent Changes:

- Indiana enacted a refundable EIC that takes effect in 2003.
- Colorado's EIC has been suspended for 2002 since the budget surplus that financed it is depleted.
- The first local-level EIC was passed in Montgomery County, Md. Workers raising children in Montgomery County are now eligible for a county EIC, set at a percentage of the state EIC.

Denver Pioneers City EIC

Denver, which has no city income tax, became the first in the nation in 2002 to offer a city EIC funded with \$5 million from its annual \$42 million federal TANF allocation. The credit equaled 20 percent of a family's federal EIC award in the prior year. Thus the city EIC would boost by \$200 a working family's federal \$1,000 EIC. Simple application forms were devised and distributed through public libraries, its six one-stop workforce centers and IRS Volunteer Income Tax Assistance (VITA) sites. H&R Block also agreed to distribute applications and to help applicants fill out the forms without charge. Families received the city EIC check in the mail three-four weeks after applying. Denver's credit continues despite the suspension of the state EIC.

Frequently Asked Questions about the EIC*

*Answers supplied by Center on Budget and Policy Priorities' [Facts About the Earned Income Credit](#) handbook.

Will getting the EIC mean other government benefits are decreased? Could someone lose benefits altogether?

Generally, no. Under federal rules, the EIC is not counted as income for Medicaid, food stamps, SSI or federally assisted housing programs. The EIC can count as a resource in determining food stamp eligibility if it is not spent within 12 months of receiving the refund. And if it is deposited in an Individual Development Account (IDA), it does not count as a resource for the above programs or for state cash assistance programs.

What if a worker was eligible for the EIC in past years but didn't claim it?

Workers can claim back EICs for the last three years! They need to fill out and send in Form 1040X and attach it to a copy of the 1999, 2000 or 2001 tax form that they filed that year.

What about a three-generation household?

Only one person can claim the EIC, even if more than one family member works and has an income that would qualify for the credit. Under new rules beginning in tax year 2002, the parent has the priority to claim the EIC. If the parent chooses not to claim the credit, an eligible grandparent may claim it.

Do working refugees need to have Social Security numbers to claim the EIC?

No. Immigrants who are "resident aliens for tax purposes" may be legal permanent residents, meaning they have a green card (I-551 card). However, many legal immigrants who do not yet have their green cards may still be resident aliens for tax purposes, specifically "refugees, asylees and those granted Temporary Protected Status" if they and their family members have legal work authorization.

Two Payment Options

Most workers get the EIC in one lump sum from the Internal Revenue Service (IRS) after they file a tax return. Alternatively, employers can add part of a worker's EIC to every paycheck, and the worker gets the rest of the credit after filing a tax return. This is called "Advance Payment EIC." Advance payments are not taxable income. In 2003, Advance EIC payments are available to any worker with at least one child who expects 2003 income of less than \$29,666, or \$30,666 for married workers. For those earning \$490-1,200 a month, the Advance Payment EIC would mean about \$60 extra in each bi-weekly paycheck.

Extra Credit! Child Tax Credit

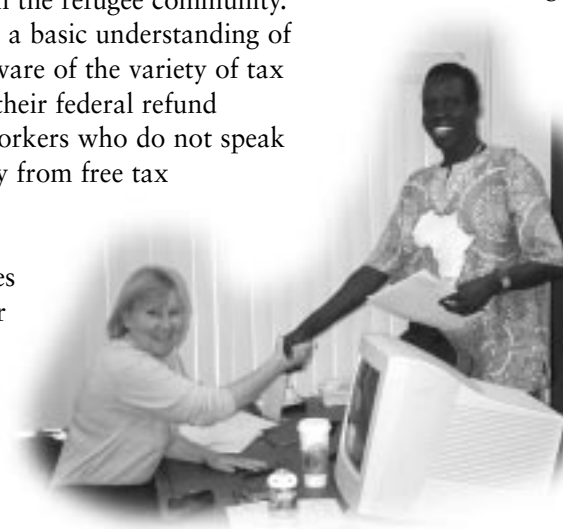
This year many more low-income working families will be eligible for another benefit, the Child Tax Credit (CTC), which is worth up to \$600 this year for each dependent child under age 17. With the enactment of legislation in 2001, the federal CTC now augments the EIC as an important wage supplement. In tax year 2002 families are eligible for a credit equal to 10 percent of their earnings in excess of \$10,350, up to the \$600 maximum. For example, a single parent raising two children who had \$16,000 in earnings in 2002 could claim a CTC of \$565, even though he or she owes no income tax. The CTC and EIC together would provide the parent with a refund of approximately \$4,200—a full 25 percent increase in the family's income.

NATIONAL VOLAG PILOTS TAX PREP PROGRAM

The International Rescue Committee (IRC) piloted a tax preparation initiative last year in three of its regional offices—Phoenix, Salt Lake City and San Diego. Each site hosted between one and four tax preparation classes staffed by volunteers and IRC personnel.

The IRC Tax Preparation Services were designed to overcome three main problems in the refugee community. First, many refugees do not have a basic understanding of the U.S. tax system and are unaware of the variety of tax credits that can greatly increase their federal refund amounts. Second, low-income workers who do not speak English are typically turned away from free tax clinics, which do not have the language or cultural capacity to serve these clients. Third, refugees who are unable to complete their own taxes or find free services to do so are left to make use of private corporations, which charge large fees and reduce net income.

The 2002 tax preparation sessions provided services to people from 16 nations, resulting in the



Volunteer tax preparer and client at the IRC San Diego office.

completion of 112 tax returns and a total of \$81,037 in refunds returned to the community. Of the \$81,000 total, \$48,931 was returned through the EIC and \$3,600 was returned through the Child Tax Credit.

The typical demographic profile of an IRC tax client was a single refugee in his or her first year of arrival with an average adjusted gross income of \$6,203. Clients received a tax return averaging \$723. This represented approximately 12 percent of average annual salary. The largest number of returns—40% of the total—were completed for refugees from Sudan. Other nationalities represented were Afghanistan, Burma, Congo, Cuba, Eritrea, Ethiopia, Iraq, Iran, Kuwait, Sierra Leone, Somalia, Togo, Vietnam and the former Yugoslavia.

Overall each site reported a positive experience for staff, volunteers and the refugees they served. IRC National Resettlement Director Cindy Jensen stated, “This type of program is only one in a growing field of providing financial literacy and education to refugee and asylee groups, and has great potential for continuation and growth within the domestic IRC network.” In fact, for 2003 the program has been expanded in the three 2002 sites and a new site has been added in Dallas.

For more information, contact Cindy Jensen, cindy@sd.theirc.org

PARTNERING WITH THE IRS

The Internal Revenue Service (IRS), specifically its Stakeholder, Partnership, Education and Communication (SPEC) Division, is responsible for overseeing EIC outreach. Its mission is “to assist taxpayers in satisfying their tax responsibilities by building and maintaining partnerships with key stakeholders, seeking to create and share value by educating, communicating with, and assisting our shared customers.” As such, it is actively seeking partnerships with faith-based organizations, mutual aid associations, workforce boards, resettlement agencies and other groups to increase the number of taxpayers who file for the EIC. Once an EIC campaign is established, SPEC can help provide tax law expertise, educational products and marketing materials, tax preparation software for free tax preparation sites, and tax law and e-file training materials.

During the past tax season, SPEC partnered with the Sacramento County Department of Human Assistance and the Sacramento Employment and Training Agency,

through the Sacramento Works Career Center System (SWCC). Staff was trained and certified by the IRS in tax preparation so centers could offer free income tax preparation services to SWCC customers.


The Sacramento partnership prepared 4,009 tax returns for refunds totaling \$6,660,725. The amount attributable to the EIC was \$4,616,276! An analysis by language group is summarized in the chart on page 5.

This year the Sacramento partnership has been strengthened and expanded in three ways: (1) it is coordinating with the Microenterprise Assistance Program’s ORR-funded Individual Development Account (IDA) Project to promote IDAs to refugee taxpayers interested in getting a jump-start on saving; (2) it will work with the Sacramento Housing and Redevelopment Agency, which operates a program to encourage saving for home purchases by low-income individuals; and (3) through an agreement with U.S. Bank, customers are able

to cash tax refund checks for free if they open an account or for a nominal charge of \$5 without opening an account.

To find your local SPEC territory manager, contact IRS Analyst Janie Neal, 404/338-8078 or janie.neal@irs.gov. For information about the Sacramento Initiative contact Sacramento County Refugee Coordinator Roy Kim, rkim@delpaso.seta.net

Don't Let The Earned Income Credit Get Away
Your VITA volunteer and US Bank have become Partners to assist you.



Recipient Name _____ VITA Site _____ Refund Amount \$ _____

To be used by persons currently without a Bank Account
CASH YOUR TAX REFUND CHECK FOR \$5.00 OR FREE IF YOU OPEN AN ACCOUNT
Present this coupon to the following branch of:



SACRAMENTO COUNTY EIC PARTNERSHIP PROGRAM BY LANGUAGE 2/2/2001 – 4/15/2002

Number Of Records: 4,009 Number Of EIC: 2,613
Married Filing Jointly: 690 \$ Attributable to EIC: \$4.6 Million

| Primary Language of Filer | Number of Returns Filed | Average EITC |
|---------------------------|-------------------------|--------------|
| English | 2,552 | \$1,139 |
| Russian | 675 | \$1,321 |
| Spanish | 148 | \$1,290 |
| Mein | 100 | \$1,330 |
| Hmong | 98 | \$1,535 |
| Cantonese | 34 | \$1,369 |
| Vietnamese | 26 | \$1,122 |
| Laotian | 21 | \$780 |
| Armenian | 18 | \$1,725 |
| Not Listed | 10 | \$380 |
| Mandarin | 8 | \$2,041 |
| Other | 6 | \$2,189 |
| Farsi | 3 | \$1,245 |

B E W A R E

TAX PREP & REFUND LOAN FEES ERODE RETURNS

A Brookings Institution study released January 13 found that 1) a high percentage—68 percent—of EIC filers, especially those whose first language is not English, use commercial tax preparers to help them complete and file their tax returns, and 2) more than half of all EIC earners purchase costly and unnecessary fast cash lending services, known as refund anticipation loans (RALs) or “rapid refunds,” for an advance on the anticipated tax refund. The average price that an EIC filer can expect to pay for a RAL is \$100, but the fee can sometimes be more than five times that amount, especially during tax season. The interest paid on these loans can be as high as 800 percent. As the Brookings 27-city survey shows, these costs are large enough to consume a significant portion of the EIC dollars that flow into a community.

The principal attraction of RALs is that customers receive cash proceeds from their loans within about two days of electronically filing their tax returns, (which is only seven-ten days sooner than if they had requested direct deposit of their refund to a personal bank account). Some services even offer an instant RAL so that taxpayers can receive a check as they leave the preparer’s office. RALs also permit taxpayers without bank accounts (who are consequently without direct deposit capabilities) to get their refunds without waiting for a paper check from the IRS. As the report points out, taxpayers who do not have the funds to pay for services up-front may find RALs particularly

attractive because the fees will simply be deducted from the proceeds of a EIC.

The RAL option comes at a steep price. For example, in the Washington, D.C., area, taxpayers claiming an EIC of \$1,500 last year spent more than 10 percent of this amount on tax preparation, electronic filing, and a refund loan; average costs were \$60 for preparation of a federal return with the EIC, \$34 for a state return, \$20 for electronic filing and up to \$90 for a RAL, for a total of \$204. Nationwide the purchase of a RAL easily doubles the amount paid by an EIC filer to commercial tax preparation services. And since 22 percent of families with less than \$25,000 in income—the majority of the EIC-eligible population—lack a bank account of any kind, these same EIC filers will need to avail themselves of a check-cashing service at an additional \$30 cost in order to cash the RAL.

What’s the solution? The Brookings report offers these: expand free or affordable taxpayer assistance programs for low-income families, such as the Volunteer Income Tax Assistance (VITA) services; make free electronic filing available to low-income taxpayers; couple tax preparation services with efforts to “bank the unbanked,” such as the Sacramento–U.S. Bank partnership described in the preceding article; and promote consumer awareness regarding RALs and other “rapid refund” loans.

*Copies of the report are available on-line at:
www.brookings.edu/urban*

CASEY LAUNCHES 'EARN IT, KEEP IT, SAVE IT' CAMPAIGN

Earned Income Credit (EIC) campaigns bring communities, organizations, the Internal Revenue Service (IRS), cities, states and private industry together to make sure that low-wage families file for and receive the tax credits that are due under the law. Historically, the emphasis of EIC campaigns has been on education and outreach. More recently, some campaigns have expanded to include free tax preparation services while others have linked asset-building products and services, like the Individual Development Accounts (IDAs), to outreach and tax preparation activities.

Last year the Annie E. Casey Foundation (AECF) established the National Tax Assistance for Working Families Campaign, which seeks to build the capacity of local EIC efforts. The urban communities that have joined the campaign in its inaugural year include many with high concentrations of refugees: Atlanta; Baltimore; Boston; Camden, N.J.; Chicago; Denver; Des Moines, Iowa; Hartford; Indianapolis; Louisville, Ky.; Miami; Milwaukee; New Orleans; New York; Oakland, Calif.; Philadelphia; Providence, R.I.; San Antonio, Texas; San Diego; Savannah, Ga.; White Center-Seattle; Tulsa, Okla.; and Washington, D.C.

AECF has now published a guidebook, "Earn It, Keep It, Save It," which covers such topics as the reasons for running an EIC campaign, how to implement a successful campaign, post-campaign activities and marketing. The guide also offers descriptions of local strategies, many of which have application nationwide. The following are some highlights:

- The 2002 Providence, R.I., EIC campaign opened four multilingual and multi-service Volunteer Income Tax Assistance (VITA) sites staffed by 13 volunteers and one paid accountant. Open twice a week and on Saturday mornings during tax time, services were provided in Khmer, Laotian, Hmong, Vietnamese, Spanish and English. Announcements of the program were made at Buddhist temples serving the Laotian and Cambodian communities.

- In Louisville, Ky., a promotional EIC blitz involved brochures taped to Kentucky Fried Chicken boxes, signs posted inside buses, 35,000 flyers distributed in English and 5,000 more in six other languages including Serbo-Croatian, Russian and Arabic.

- "Marketing ambassadors" armed with EIC information and free tax preparation services were sent

into neighborhoods throughout Camden, N.J., to inform potential EIC recipients. Ambassadors were residents of the target community and many were bilingual.

- As part of the 2002 Des Moines, Iowa, campaign, two banks offered special certificates of deposit for EIC-eligible individuals. One bank required a \$250 deposit for 10 months and was linked to a no-cost savings account. The other required \$500 with an option to leave the deposit for six, nine or 10 months.

The guide was designed to accompany national EIC campaign materials and tools developed by the Annie E. Casey Foundation, which are available online at www.eitc.info.

To join the collaborative EIC efforts in your city—and insure involvement of the refugee community—contact Irene Skricki, National Tax Assistance for Working Families Campaign, Annie E. Casey Foundation, 701 St. Paul Street, Baltimore MD 21202; 410/547-3680.

JOYCE FOUNDATION EXPANDS TO INCLUDE EIC PRIORITY

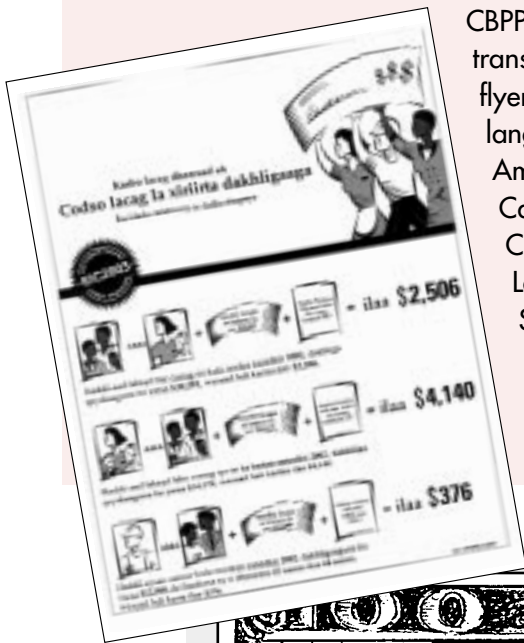
In April 2002 the Joyce Foundation published "Welfare to Work: What Have We Learned" based on the results of its research on the effects of welfare reform on Midwest families. It found that one out of five workers in the Midwest, where the Foundation targets its resources, earns a wage that even with full-time, year-round work cannot lift a family of four out of poverty.

In response to these surprising findings, the foundation has adopted new priorities for its 2003 grant-making. Its \$6.4 million employment program has been expanded to cover activities which are aimed at helping low-wage families achieve economic independence. The Foundation pledges to support such efforts as increasing resources for and access to quality training and education programs that lead to higher-paying jobs, "expanding access to policies that improve job retention and stability including work-related benefits such as the Earned Income Credit," and building partnerships among public officials, employers, training programs and educators. The foundation does not provide operating support for direct services such as job placement. Funding is generally limited to the Midwest states around the Great Lakes region, including Michigan, Illinois and Minnesota. Grant applications are accepted year-round.

For more information, contact the Joyce Foundation at 312/782-2462 or info@joycefdn.org. Employment project officers are Jennifer Phillips, Unmi Song and Shelley Davis.

CBPP Offers EIC Kits and Translations; ESL EIC Curriculum Made Available by RefugeeWorks

In December 2002 the Center on Budget and Policy Priorities (CBPP) kicked off its EIC Campaign 2003, the annual national outreach effort to help workers claim the credits they've earned, with the mailing of campaign kits. The kits include posters, flyers, fact sheets on both the EIC and the CTC, an outreach strategy guide, and the essential tax forms workers need to claim the credits.



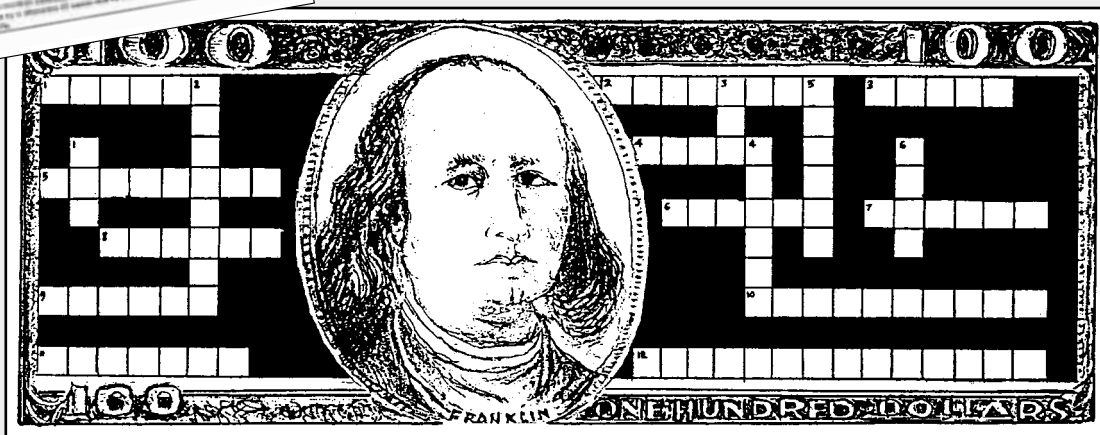
CBPP has again translated their EIC flyers into 18 languages including Amharic, Bosnian, Cambodian, Haitian Creole, Hmong, Laotian, Russian, Somali, Tagalog, Ukrainian and Vietnamese. For the first time, a

flyer in Arabic has been developed. RefugeeWorks is making available, at no charge, these translated flyers.

We also will make available to our readers two ESL curriculum for the EIC. These were created by Peter Daniels and Tre Tran of Orange County Catholic Charities. "The curriculum was developed as a way to say 'thank you' for all of the years of free ESL service provided to our clients by Santa Ana College and Rancho Santiago Community College," says Daniels. The first set of SCANS-Influenced Lesson Plans are targeted for Beginners 1 and 2 levels. The second set is for Beginning 3 and Intermediate Levels. We have both sets in English and Vietnamese.

For the EIC kits, contact John Wancheck at 202/408-1080 or eickit@cbpo.org.

For the translated flyers, please specify language(s) requested; specify ESL level(s) for the EIC curriculum. Submit requests to information@refugeeworks.org



ACROSS

1. You have to claim this for being "single" or "married"
2. Having the right qualifications
3. Filed by two or more persons together
4. Total (amount of money)
5. Money earned on investments
6. Money received (as salary, etc.)
7. Tax already paid or tax money repaid
8. Repayment (from the IRS)
9. Not married
10. The number of persons a taxpayer supports
11. Money that a person is entitled to
12. Requirements satisfied

DOWN

1. Abbreviations for Earned Income Credit
2. You have to attach this if you are in Category I or II
3. Abbreviations for Internal Revenue Services
4. Husband or wife
5. Paid in returned for work
6. Printed paper with space to be filled in

REFUGEEWORKS

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FROM OUR MAILBOX

I wanted to write and let you know how helpful the RefugeeWorks magazine is to my staff and me. The latest issue inspired me to contact the head of the Panhandle Regional Planning Commission, of which our local Workforce Development Board is a part. He has now scheduled me to give a presentation about the services we offer, in particular to LEP populations and the legal requirements that the many agencies who attend the Board meetings have to provide linguistically-appropriate / culturally-appropriate services to LEP populations. The head of the WIA is going to be contacting me this week to discuss ways that we can further coordinate services between the FBOs, CBOs and WIAs in the area.

Lori Lambert, Supervisor
Refugee and Citizenship Division
Catholic Family Service, Inc.
Amarillo, TX

Thank you for sending the ESL EIC curriculum—they are a gold mine. The lesson plan format will be wonderful to use for EIC, and then to make it a model for other topics. I consider you a great resource to tap again in the future. [The training materials] I got from your [Employment Training Institute] proved invaluable. I really applaud your creative work.

Sister Rosalie Carven, CSJ
Resettlement Director
Catholic Charities
Amityville, NY

Your last newsletter has served as a point of reference and a source of motivation. We are taking your advice and will respond to a RFP from our PIC to provide services for LEP populations.

Donna Magnuson
Program Director
Lutheran Social Services of South Dakota
Sioux Falls, SD



REFUGEEWORKS

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