

# FINANCIAL LITERACY WORKSHOP 6

## EARNED INCOME TAX CREDIT

1 Facilitator Needed

Estimated Time: 1 hr 45 min

### Things to Prepare BEFORE THE WORKSHOP

| ITEM                                 | APPENDIX #        | PAGE # USED |
|--------------------------------------|-------------------|-------------|
| Flip Chart 6-1                       | A-6-1             | 6-2         |
| Flip Chart 6-2                       | A-6-1             | 6-3         |
| Flip Chart 6-3                       | A-6-2             | 6-3         |
| Flip Chart 6-4                       | A-6-2             | 6-3         |
| Flip Chart 6-5                       | A-6-3             | 6-3         |
| Flip Chart 6-6                       | A-6-3             | 6-3         |
| Handout 6-1 <i>EITC Basic Rules</i>  | A-6-4             | 6-3         |
| Handout 6-2 <i>EITC Exercise</i>     | A-6-5             | 6-4         |
| Handout 6-3 <i>Don't be a victim</i> | A-6-6             | 6-7         |
| Evaluation Form                      | Trainer's Section | 6-8         |

| Activity  | Page       | Time                              | Materials   |
|---|------------|-----------------------------------|---|
| <b>Introduction</b> <ul style="list-style-type: none"> <li>Introduction of facilitator, participants, icebreaker</li> <li>Review Workshop Objectives</li> </ul> | 6-2        | 15 min                            | <input type="checkbox"/> Blank Flip Chart/Markers   |
|   | 6-2        | 5 min<br><b>20 min</b>            | <input type="checkbox"/> Prepared Flip Chart 6-1 Workshop Objectives  |
| <b>Learning Activity 1: Earned Income Tax Credit</b> <ul style="list-style-type: none"> <li>Group Discussion</li> </ul>   | 6-3        | 20 min<br><b>20 min</b>           | <input type="checkbox"/> Handout 6-1 EITC Basic Rules<br><input type="checkbox"/> Flip Chart 6-2 EITC Definition<br><input type="checkbox"/> Flip Chart 6-3 EITC Income Limits<br><input type="checkbox"/> Flip Chart 6-4 EITC Benefits<br><input type="checkbox"/> Flip Chart 6-5 EITC Rules |
| <b>Learning Activity 2: Earned Income Credit Rules</b> <ul style="list-style-type: none"> <li>Group Exercise</li> </ul>   | 6-4        | 20 min<br><b>20 min</b>           | <input type="checkbox"/> Handout 6-2 EITC Exercise<br><input type="checkbox"/> Flip Chart 6-6 EITC Exercise Answers   |
| <b>Break</b>  | 6-4        | <b>15 min</b>                     |   |
| <b>Learning Activity 3: Earned Income Credit Situations</b> <ul style="list-style-type: none"> <li>Group Discussion 1</li> <li>Group Discussion 2</li> </ul>    | 6-5<br>6-7 | 10 min<br>10 min<br><b>20 min</b> | <input type="checkbox"/> Handout 6-3 Don't be a Victim<br><input type="checkbox"/> Copy of Role Play 6-5  |
| <b>Wrap-up</b> <ul style="list-style-type: none"> <li>Workshop Evaluation</li> </ul>  | 6-8        | 10 min<br><b>10 min</b>           | <input type="checkbox"/> Evaluation Form  |

# Introduction

Time 20 min

Materials Need: Blank Flip Chart, Flip Chart 6-1, Markers.

Reminder: The Trainer's role is always to *educate*, not to provide *advice*

- **Introduction of Facilitator and Participants**

- Welcome the participants and introduce yourself to the group.
- Ask the participants to introduce themselves and conduct one Icebreaker selected by the facilitator from the Icebreaker list.
- Tell the group that this session will focus on the Earned Income Tax Credit.

- **Workshop Objectives**

- Show Flip Chart 6-1: Workshop Objectives and read it to them.
  - Review the objectives with the group
  - Hang the flip chart so it is visible to the entire group

# Learning Activity 1: Earned Income Tax Credit

Time: 20 min

Materials: Handout 6-1, Flip Chart 6-2, Flip Chart 6-3, Flip Chart 6-4, Flip Chart 6-5

- **Group Discussion**

- Ask the group whether anyone knows what EITC means.
  - If somebody knows, tell them to explain it to the group
  - If not, immediately Refer to Flip Chart 6-2: EITC Definition
  - Read it to the group
  - Tell the group that in order to qualify for the EITC you need to meet the Income Limits and Rules.
  
- Refer to Flip Chart 6-3: 2003 EITC Income Limits
  - Let the group know that every year the Income Limits change
  - Tell the group some of the benefits of the EITC
  - Refer to Flip Chart 6-4: EITC Benefits
  
- DISTRIBUTE HANDOUT 6-1: EITC Rules
  - Ask the group look over the rules
  - Refer to Flip Chart 6-5: EITC Rules
  - Review each rule

## Learning Activity 2: Earned Income Tax Credit Rules

Time: 20 min

Materials: Handout 6-2, Flip Chart 6-6,

### • Group Exercise

#### □ DISTRIBUTE HANDOUT 6-2 Group Exercise

- Ask the group to complete the exercise
- Give them about 5 minutes to complete it
- Ask for volunteers to provide their responses
- Write Key word responses on the blank Flip Chart
- Refer to Flip chart 6-6: EITC Exercise for the correct answers
- Explain why these answers are correct

#### ➤ 1.- NO

In order to receive the EITC they needed to file “Married filing Jointly”.

#### ➤ 2.- NO

ITIN (Individual Taxpayer Identification Number) is not a valid Social Security Number. This number is for tax purposes only. Their niece can be claimed as a dependent but they cannot receive the EITC for her.

#### ➤ 3.-NO

Elena can claim the dependency exemption for the two children for whom she has provided more than half of their support and for whom their mother did not claim the dependency exemptions. She cannot claim the EITC for the two children since they lived in the house with their mother and not with Elena. Elena’s correct filing status would be single. Monica can claim the EITC for the two children she claimed and can file as head of household.

#### ➤ 4.-A) YES

They have two qualifying children

#### B) YES

Lily can and should file a tax return since she worked part-time. If she had federal income tax withheld she is entitled to a refund. However, Lily cannot claim a personal exemption for herself since her parents claimed a dependency exemption for her.

#### C) No

Lily would not qualify for the EITC. Her parents will be claiming the EITC for Lily as explained above. Lily does not meet the age requirement for a person with no dependents to claim EITC.

----- 15 MIN BREAK -----

## Learning Activity 3: Earned Income Credit Situation

Time: 20 min

Materials: Handout 6-3, Copy of Role Play

- **Group discussion**

- Tell the group that you will be role playing a real-life situation of Mrs. Perez and her daughter Monica related to their tax refund.
- Ask the group for one volunteer to do the role playing with you.
- Explain to the group that Mrs. Perez has two daughters and two sons. The only daughter that is married is Monica. Since Mrs. Perez received a large refund, she invited her extended family to dinner. While Mrs. Perez and Monica are in the kitchen waiting for the food be ready, they have the following conversation:

**Mrs. Perez:** Monica how much was your IRS refund?

**Monica:** Well Mom I think we received less than what we should have. We received \$ 1,500.

**Mrs. Perez:** What!!! We received \$4,000 mijita. Who prepared your taxes?

**Monica:** We went to a paid tax preparer. We were supposed to receive about \$2,000 but they charged us about \$500.00 for a rapid refund and all the forms we needed.

**Mrs. Perez:** You paid \$500 to have your taxes prepared?

**Monica:** Yes. I didn't think it was so high.

**Mrs. Perez:** You should not give away your money like that.

**Monica:** What do you mean? How much did you pay to have your taxes prepared? You got a rapid refund, didn't you Mom?

**Mrs. Perez:** Well I did receive my money very quickly, but I did not pay for a rapid refund.

**Monica:** I don't understand Mom.

**Mrs. Perez:** Well mijita, I went to a VITA site with your Aunt Lulu.

**Monica:** What is a VITA site?

**Mrs. Perez:** A VITA site provides free income tax preparation as a community service. They are volunteers who are certified by the IRS to prepare taxes.

**Monica:** You got your taxes prepared for free!

**Mrs. Perez:** Yes.

**Monica:** But they charged you for the rapid refund, right?

**Mrs. Perez:** No

**Monica:** I'm confused again. You received your refund quickly and they didn't charge you. Don't they always charge for that?

**Mrs. Perez:** Monica the rapid refund like the one you received was a loan.

**Monica:** What do you mean a loan? They never mentioned anything about a loan.

**Mrs. Perez:** No they probably just told you that they could help you get a refund within a few days. But they actually made you a loan. That is why they charged you so much.

**Monica:** So Mom, you didn't get a loan in order to receive your refund?

**Mrs. Perez:** No, I didn't. My refund got deposited to my bank account within two weeks of preparing my taxes, which I think is a reasonable time and the most important thing is that I didn't get charged for any of the services.

**Monica:** Oh Mom, we should get together more often. If only I had known I could have saved \$500! I'm pretty sure that my sister and brother don't know anything about it either. We should mention this at dinner.

**Mrs. Perez:** Yes mijita, I'll tell them. Now help me with the plates.

**Monica:** Ok Mom.

- **Group Discussion**

- **DISTRIBUTE HANDOUT 6-3: Earn Income Tax Credit**
- **Ask the group to tell you the key points of the role playing and explain it.**
  - **Write key word responses on the blank Flip Chart page**
    - **Expected Responses:**
      - VITA sites
      - Rapid Refund Loans
  - **Tell the group that income tax refunds vary with each taxpayer. Several factors determine whether taxpayers get money back or have to pay, including the number of dependents and the amount of income. The amount of one's income determines the tax bracket. People in different tax brackets pay different tax rates. Tax rates vary – usually the more you earn the higher you tax bracket.**

## **WRAP UP**

Time: 10 Minutes  
Materials: Evaluation Form

- **Evaluation of Workshop**

- Distribute Evaluation Forms.
- Ask the group to please complete Evaluation Form with their comments
- Let them know that their comments are important to further improve the module
- Thank them for taking the time to attend this workshop and ask them if they have any questions.
- If you cannot answer a particular question, write it down along with the contact information for the person who asked the question. Contact them later with an answer.

## **FLIP CHART 6-1: WORKSHOP OBJECTIVES**

### **WORKSHOP OBJECTIVES LEARN ABOUT**

The Earned Income Tax Credit

Developing Long-term Assets

Who Qualifies?

Lump Sum or Monthly Advance?

## **FLIP CHART 6-2: EITC DEFINITION**

### **Earned Income Tax Credit (EITC)**

The Earned Income Tax Credit also referred to as EITC is administered through the Federal tax system. The EITC is a federal tax benefit for low-income workers that can provide a wage supplement to help them cover their living expenses or to save for long-term assets.

## FLIP CHART 6-3: 2003 EITC INCOME LIMITS\*

| Filing Status               | No Qualifying Children | One Qualifying Child | Two or More Qualifying Children |
|-----------------------------|------------------------|----------------------|---------------------------------|
| Single or Head of Household | \$11,230               | \$29,666             | \$33,693                        |
| Married Filing Jointly      | \$12,230               | \$30,666             | \$34,692                        |
| Married Filing Separately   | Not Eligible           | Not Eligible         | Not Eligible                    |

\*Based on 2003 I.R.S. Earned Income Guidelines.  
For more or current guidelines go to [www.IRS.gov](http://www.IRS.gov)

## FLIP CHART 6-4: EITC BENEFITS

### POTENTIAL EITC BENEFITS

Help make ends meet

Get above the poverty level

Make big ticket purchases or repairs – vehicles, large appliances

Improve rental housing – enough cash for deposits and move

Develop Long-term assets – homes, small businesses, or college

Pay outstanding bills – clear credit for future

Help family members with their needs

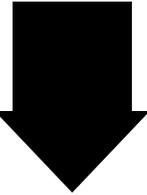
## FLIP CHART 6-5: EITC RULES\*

| <b>Part A<br/>Rules for Everyone</b>  | <b>Part B<br/>Rules if You Have a<br/>Qualifying Child</b>  | <b>Part C<br/>Rules if You Do Not Have<br/>a Qualifying Child</b>                |
|---|---|--|
| <b>Rule 1.</b> You, your spouse, if married, and your child must have valid Social Security Numbers | <b>Rule 7.</b> Your child must meet the relationship, age, and residency tests (must live with you) | <b>Rule 10.</b> You must be at least age 25 but under age 65                     |
| <b>Rule 2.</b> Your filing status cannot be “Married filing Separately”                             | <b>Rule 8.</b> Your qualifying child cannot be used by more than one person to claim the EIC        | <b>Rule 11.</b> You cannot be the dependent of another person                    |
| <b>Rule 3.</b> You must be a U.S. citizen or resident alien all year                                | <b>Rule 9.</b> You cannot be a qualifying child of another person                                   | <b>Rule 12.</b> You cannot be a qualifying child of another person               |
| <b>Rule 4.</b> You cannot file a tax form relating to foreign earned income (Form 2555 or 2555A)    |   | <b>Rule 13.</b> You must have lived in the United States more than half the year |
| <b>Rule 5.</b> Your investment income must be \$2,600 or less                                       |   |  |
| <b>Rule 6.</b> You must have earned income  |   |  |

\*Based on 2003 I.R.S. Earned Income Rules.  
For more or current guidelines go to [www.irs.gov](http://www.irs.gov)

## FLIP CHART 6-6: EITC EXERCISE ANSWERS

| EITC EXERCISE |
|---------------|
| 1- NO         |
| 2- NO         |
| 3- YES        |
| 4- A) YES     |
| B) YES        |
| C) NO         |



# QUALIFYING CHILD OR CHILDREN

- **Relation to taxpayer:**  
\*Sons, daughters, stepsons or stepdaughters or their descendants; brothers, sisters, step-brother or stepsister being cared for as taxpayer's child; eligible foster children.
- **Age of child:**  
\*Under 19 at end of year; or full-time student under 24 at end of year; or permanently and totally disabled at any time during year, regardless of age
- **Residency:**  
\*Child lived in the USA with the taxpayer for more than half the year.

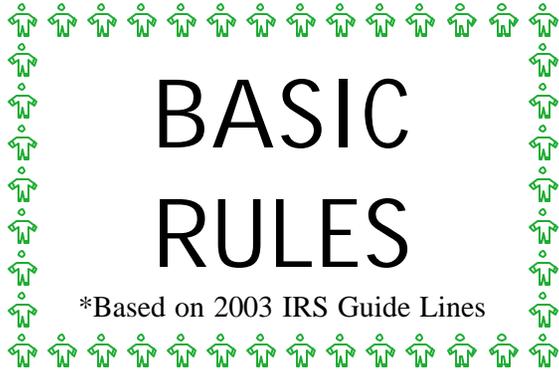
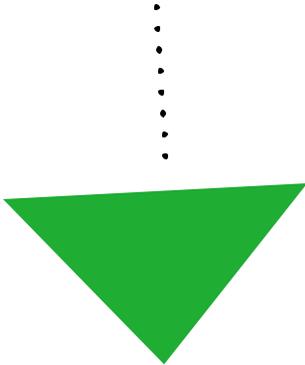
*DON'T BE A  
VICTIM!  
KEEP MORE OF  
YOUR TAX  
REFUND !*



**For more information please visit:**  
[www.IRS.gov](http://www.IRS.gov)



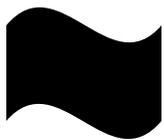
**EARNED  
INCOME  
CREDIT TAX  
(EITC)**



**BASIC  
RULES**

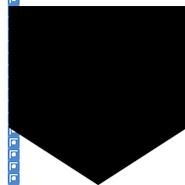
\*Based on 2003 IRS Guide Lines

**HANDOUT 6-1  
A-6-4**



## **RULES FOR EVERYONE**

1. You, your spouse, if married, and child must have a valid Social Security Number.
2. Your filing status cannot be “Married filing Separately”.
3. You must be U.S. citizen or resident alien all year.
4. You cannot file a tax form relating to foreign earned income .
5. Your income cannot exceed EITC limits established for the tax year of filing (changes annually)
6. Your investment income must be \$2,600 or less.



## **RULES IF YOU HAVE A QUALIFYING CHILD**

7. You must have “earned income”
8. Your child must meet the relationship, age and residency tests.
9. Your qualifying child cannot be used by more than one person to claim the EITC
10. You cannot be a qualifying child of another person



## **RULES IF YOU DO NOT HAVE A QUALIFYING CHILD**

11. You must be at least age 25 but under age 65
12. You cannot be the dependent of another person
13. You cannot be the qualifying child of another person
14. You must have lived in the United States more than half the year.

## **HANDOUT 6-2: EITC Exercise**

### **Identify which cases qualify for EIC. Mark YES or NO**

1. Leticia Sanchez is married to Luis Sanchez and they have two children. They have lived in the US for two years. Their comadre Lolita told them that in order to receive a larger refund they should file “Married Filing Separately”. Since most of the time Lolita’s advice is correct should they file “Married Filing Separately”?

**YES**

**NO**

2. Roman Perez is married to Maria Perez. They have one child and they have been taking care of their niece Martha, a Mexican National. Martha doesn’t have a social security number. The Perez would like to claim Martha for the EITC credit so they request a (ITIN) Individual Taxpayer Identification Number. This can only be used for tax purposes. Can they claim Martha for EIC purposes?

**YES**

**NO**

3. Monica Rodriguez and Elena Rodriguez are sisters that live on the same lot but in different houses. Monica has four children, however, Elena provides more than half of their support for two of her children. Monica does not claim these two children on her income tax return. Can Elena claim them for EITC purposes?

**YES**

**NO**

4. Raul Marquez is married to Lupe Marquez and they have two daughters. One of the daughters, Lily, is a 22 year old, full-time student and has a part time job. Mr. and Mrs. Marquez will claim both of her daughters and Lily will file her own return. Would Mr. and Mrs. Marquez qualify for EITC for both daughters? Is it possible for Lily to file her own return? Would she qualify for EITC?

**A) YES**

**NO**

**B) YES**

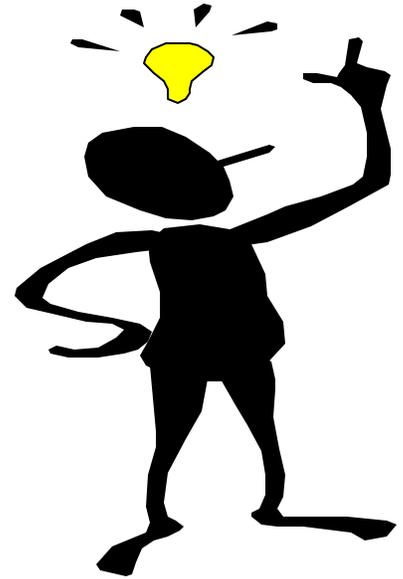
**NO**

**C) YES**

**NO**

# **DON'T BE A VICTIM! KEEP MORE OF YOUR TAX REFUND!**

Every year millions of earned income tax credit dollars are lost by low-income wage-earners to lenders and tax preparers that offer Refund Anticipation Loans and to check cashing services to cash refund checks!



HANDOUT 6-3  
A-6-6

## **DON'T PAY THESE FEES THIS YEAR (approximately \$267)**

- Income Tax Preparation Fees - **\$85 and up**
- Electronic Filing Fees - **\$40**
- Refund Anticipation Loan Fees - **\$75**
- Check cashing fee - **\$67 and up**
- **Have your refund in your hand in approximately two weeks if you go to a Volunteer Income Tax Assistance (VITA) site.**

**For more information on VITA sites and  
IRS questions call : 1-800-829-1040**