

# EARNED INCOME TAX CREDIT

TOOLKIT FOR EMPLOYERS

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# Earned Income Tax Credit: What You Need To Know

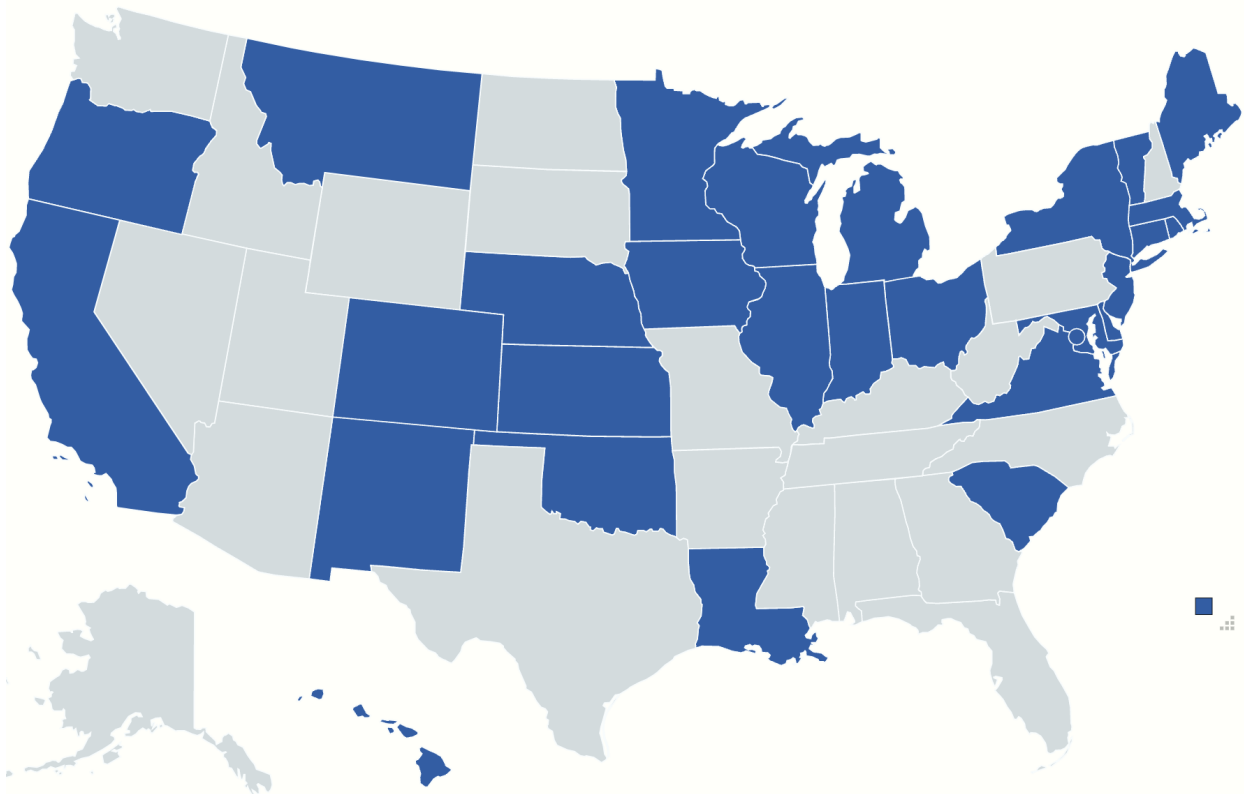
## What is the Earned Income Tax Credit?

The EITC provides greater economic security for working families, especially those with children. It has evolved into one of the federal government's most critical antipoverty programs.

The program has been lauded by both Democrats and Republicans. President Reagan called it "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress." President Biden's American Rescue Plan expanded the EITC, and he has called on Congress to permanently extend it.

Today, 29 states and the District of Columbia have established their own EITC. These are offered as a percentage of the federal credit, and are often refundable.

See if [your state](#) has its own EITC below:



Additionally, you can check the total tax returns with EITC claims in [every state](#).

## **How Does The EITC Benefit Employers?**

The Earned Income Tax Credit benefits employers and businesses by:

- **Encouraging employees to stay in the workforce**
  - Designed to encourage and reward participation in the labor market
  - Entering the labor force means receiving earned income and a tax credit worth thousands of dollars
- **Effectively giving employees a raise at no additional cost to your business**
  - Employees get a tax break, effectively putting more money in their pockets
  - Increases participation in the labor force with little to no effect on the number of hours worked
- **Helping grow your business's bottom line**
  - Directly linked to lower rates of employee turnover
  - Establish better relationships between employers, management, and employees

## **How Does The EITC Benefit Employees?**

The Earned Income Tax Credit benefits employees by:

- **Increasing income for working families**
  - Put up to \$6,728 back in people's pockets, providing a lifeline for the expected and unexpected needs
  - A minimum wage employee with two children can receive up to 40 percent more income
- **Helping reduce poverty**
  - Lifted more than 5 million people out of poverty in 2018, more than half of which were children
  - Has kept more children above the poverty line than any other tax credit program

- **Improving health outcomes, especially for women and children**
  - Increase in income is linked to lower risk of chronic diseases such as heart disease or diabetes
  - Access to health coverage, safe communities, good schools, and healthy food

## **Who is eligible for the EITC?**

To qualify for the Earned Income Tax Credit, employees must:

- Have worked and earned a maximum income of \$57,414 (see chart below)
- Have investment income below \$10,000 for Tax Year 2021
- Have a valid Social Security number by the due date of their 2021 tax return
- Be a U.S. citizen or a resident alien all year
- Not file Form 2555 (related to foreign earned income)

Additional special qualifying rules for military members, members of the clergy, and taxpayers with disabilities can be found [here](#).

Children or relatives claimed	Maximum adjusted gross income (AGI) if filing as single, head of household, widowed, or married filing separately	Maximum AGI if filing as married filing jointly
Zero	\$21,430	\$27,380
One	\$42,158	\$48,108
Two	\$47,915	\$53,865
Three	\$51,464	\$57,414

# Toolkit For Promoting The Earned Income Tax Credit

## **Promote The EITC To Employees Through Intentional Messaging**

According to IRS estimates, 80 percent of eligible taxpayers claim and get the EITC, providing them with a financial boost while growing the local economy and reducing poverty rates — especially among children. But businesses and employers can — and should — do more to educate their employees about the EITC. Below are some tools for your toolkit to get more of your team members to claim this credit on their taxes.

### **Onboarding For New Employees**

Businesses and employers can promote the EITC as part of an employee's onboarding process. Below is a sample prompt that you should customize for your specific needs:

*"The Earned Income Tax Credit is a tax benefit that many employees don't take advantage of. Your eligibility depends on your total earned income and the number of dependents you have, if any. The IRS has a free [calculator](#) you can use to see if you qualify. If you need help filing your taxes, the IRS has a [free tax assistance program](#) that may be able to help you."*

### **Shine A Light On The Availability Of The EITC Throughout The Year**

Businesses and employers can put a spotlight on the Earned Income Tax Credit throughout the year and especially leading into tax season. Here's what a sample calendar for your business could look like:

- **January:** Every January the IRS organizes "National EITC Awareness Day" with its partners to educate the public about the credit. Plan on using January to kick off tax season in your business by hanging flyers in break rooms, sending out a company wide email with education about the EITC, posting on social media (see the IRS [website](#) for helpful graphics), and writing a letter to the editor of your local newspaper touting the benefits of the EITC.

- **February:** Host a free tax education workshop for your employees or give out information on the IRS Volunteer Income Tax Assistance (VITA) program for free tax preparation help and include VITA [locations](#).
- **March:** Send out email reminders with specific resources for employees with [children](#) and employees with [disabilities](#). Include resources for employees who do not speak English as their first language such as IRS resources translated into [multiple languages](#) and VITA locations that offer bilingual volunteers.
- **April:** Celebrate Tax Day with your employees and include information about the EITC.
- **November — December:** Gear up for next year's tax season by sending out reminders and eligibility checklists to make it easy for employees to understand.

## Harness The Power Of Social Media

Businesses and employers can use social media to promote the EITC near tax season. The [IRS](#)'s website has a very helpful guide with templates for social media graphics, sample tweets, and other content. Additionally, here are some suggested tweets that you should customize for your specific needs:

*It's tax season! File your taxes on time and don't forget to check if you qualify for the Earned Income Tax Credit. Learn more and see if you qualify at [irs.gov](#)*

*What could you do with an extra \$6,728 in your pocket this tax season? The Earned Income Tax Credit is a benefit many taxpayers forget to apply for. Check if you're eligible [here](#)*

*Did you know an estimated 20% of eligible taxpayers miss out on thousands of dollars by not claiming the Earned Income Tax Credit? Make sure you're not one of them. File on time and visit [irs.gov](#) to see if you qualify.*

*Need help with your taxes? The IRS VITA program may be able to help you prepare your taxes for free. Find more information [here](#) and don't forget to check if you qualify for the Earned Income Tax Credit*

## **Additional Ways To Spread The Word**

Businesses and employers can spread the word about the Earned Income Tax Credit by:

- Posting helpful and timely information on social media, targeted to your employees
- Sending a letter to the editor of your local newspaper touting the merits of the EITC
- Joining other community business leaders and jointly host a tax filing information session
- Add a note about the EITC on paychecks or on the payroll website near tax season
- Hang flyers in break rooms (where feasible)
- Use office space to host a VITA program tax assistance event
- Send company wide email reminding employees of the EITC with specific resources for employees with disabilities, non-English speaking employees, and employees with children



## Resources For Employees

### Helpful Tips For Employees Claiming The EITC

- The EITC is based on your earned income. Earned income includes wages, tips, money from self-employed work, and some disability benefits. Earned income does not include child support payments, social security payments, pensions, or unemployment benefits. When in doubt, use the [IRS calculator](#) to see if you qualify.
- If you qualify for the EITC, you must file a federal income tax return even if you owe no taxes.
- If you qualify for the federal EITC, you may also be eligible for a [similar credit](#) from your local government. Twenty-eight states, the District of Columbia, and New York City offer residents an earned income tax credit.
- If you earn less than \$58,000, you qualify for free tax preparation assistance through the IRS' [Volunteer Income Tax Assistance \(VITA\) Program](#).
  - VITA is a free program that is staffed by volunteers who must pass tax law training that meets or exceeds IRS standards.
  - Each year, tens of thousands of VITA volunteers prepare millions of federal and state tax returns.
  - Employees can [find](#) a VITA site near them simply by providing their ZIP code.
- If you qualify for the EITC, you may also qualify for [the Child Tax Credit](#).
- Self employed workers should check if they qualify—being self employed does not disqualify them from the EITC.

## **Additional Resources For Employees**

[IRS Eligibility Calculator](#): The IRS's EITC Assistant doesn't ask for sensitive information such as your employee's name, Social Security number, address or bank account numbers. The information they enter into the assistant will not be saved or recorded.

[IRS Free File](#): IRS Free File lets your employer prepare and file their federal income tax online using guided tax preparation, at an IRS partner site or Free File Fillable Forms. It's safe, easy and at no cost to them for a federal return.

This toolkit is a product of The [Public Private Strategies Institute](#), and is designed to help business owners, employees, and the self-employed learn about the Earned Income Tax Credit.



## **About Us**

*The Public Private Strategies Institute (PPSI) is an independent research and education organization. PPSI engages in educational activities concerning the public and private sectors' roles in advancing societal change. PPSI explores best practices and trends through research, publications, and educational events. Additionally, it produces educational and informational content that will educate public and private sector actors about their capacity to be agents of social change; and conduct research into the existing landscape of public and private social responsibility and the potential for the future.*