

Tax Incentives For People with Disabilities Who Work

MN Work Incentives Connection Fact Sheet # 17

January 2019

Earned Income Tax Credit (EITC)

The federal Earned Income Tax Credit can reduce taxes for low income workers. To claim the Earned Income Tax Credit:

- You must have earned income from employment or self-employment. In addition, employer-paid disability benefits may count as earned income for the EITC, even if you aren't currently working.
- If you are married, you must file taxes jointly with your spouse (cannot be "married filing separately").
- You cannot have investment income of more than \$3,500 for 2018.
- Your earned income and adjusted gross income must be less than:
 - \$15,270 (\$20,950 if married filing jointly) if you do not have children, you are at least age 25 and under 65, and you do not qualify as a dependent on the tax return of another person
 - or
 - \$40,320 (\$46,010 if married filing jointly) if you have one qualifying child (see below)
 - or
 - ***\$45,802 (\$51,492 if married filing jointly) if you have two qualifying children (see below)
 - or
 - \$49,194 (\$54,884 if married filing jointly) if you have three or more qualifying children (see below)

Note: These figures are for 2018 tax returns, which are typically filed in early 2019. The limits typically increase each year.

A "qualifying child" includes your son, daughter, stepson, or stepdaughter, including an adopted child. It

also includes a sibling, grandchild or foster child whom you care for as your own child. The child must have been under age 19 at the end of the tax year; or under age 24 and a full-time student; or **any age if the child is permanently and totally disabled**. The child must have lived with you in the United States for more than half of the year and cannot be claimed as a qualifying child on the tax return of anyone else.

The amount of the Earned Income Tax Credit depends on your income and the number of children you have. For 2018 tax returns, the maximum credit someone with no qualifying children can receive is \$519. Someone with one qualifying child can receive up to \$3,461, with two qualifying children up to \$5,716 and someone with three or more qualifying children can receive up to a maximum of \$6,431.

The Earned Income Tax Credit is refundable. For example, if you owe \$200 in federal taxes and qualify for a \$350 Earned Income Tax Credit benefit, you can receive a refund check from the Internal Revenue Service for \$150. **You may get money from the Earned Income Tax Credit even if you don't owe any tax!** Earned Income Tax Credit refunds are not counted as income. They do not affect the amount of benefits you receive under most government benefit programs.

If you are on SSI (Supplemental Security Income), Medical Assistance or other programs with asset limits, the Earned Income Tax Credit refund may count as an asset if you decide to save it. The SSI program allows recipients to save their Earned Income Tax Credit refund for up to 12 months, even if it puts them over the \$2,000 SSI resource limit during those months. Other programs allow you to keep an Earned Income Tax Credit refund that exceeds the asset/resource limit for only one month after it is received, so check with your benefit providers. [Since Social Security Disability

Insurance (SSDI) program has no asset limits, this does not apply to people on SSDI.]

Minnesota Working Family Tax Credit

If you qualify for the Earned Income Tax Credit on your federal taxes, you can also claim the Minnesota Working Family Tax credit on your state taxes. To learn more, call the Minnesota Department of Revenue Income Tax Helpline at 651-296-3781 or 1-800-652-9094 (MN Relay – 711).

Free Tax Help

From February through mid-April, volunteers help people with low incomes fill out their tax forms at various locations around Minnesota. For the dates, times and locations of free tax assistance clinics, call: 651-287-0187 or 1-800-652-9094 (MN Relay – 711). Free tax help clinics will also be listed on the Internet at: <http://prepareandprosper.org/> or www.taxes.state.mn.us/vita

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CONNECTION**

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