



## Michigan League for Human Services

DATE: January 27, 2009  
TO: Friends and Colleagues  
FROM: Sharon Parks, President & CEO  
SUBJECT: **Money Back in Michigan, 2009**

The Michigan League for Human Services is pleased to send you the 2009 edition of **Money Back in Michigan**, an outreach effort that promotes awareness of various federal and state tax credits and deductions available to low-and-moderate-income households. This packet is designed to assist organizations that serve low-income individuals and families by providing timely information about credits for which they may qualify. It includes flyers that can be distributed or displayed in local offices, libraries, community centers, and retail businesses.

*This year the tax credits are extremely important as so many Michigan households are unemployed, rely on income from low-wage jobs to support their families, and are feeling mounting pressure from rising housing, utility, fuel and health care costs. The tax credits bring money back into their households, either by reducing the taxes they owe or by providing a refund to the family. The credits are available both to individuals who file income tax returns and those who are exempt from filing, and some credits can be claimed after the normal income tax filing deadline.*

Several tax changes are important to note this tax filing season. The new Michigan Earned Income Tax Credit (EITC) provides additional help for households and is based on a percentage of the federal EITC. In addition, the federal child tax credit was expanded as part of last October's financial rescue package and as a result the minimum earnings level for eligibility has been raised. Finally, households that were not eligible for the federal economic stimulus payment last year, may be able to claim it this year if their incomes have been reduced.

As you help your clients and constituents, you should be aware that the Michigan Statewide Earned Income Tax Credit Coalition, which is convened and staffed by the Michigan League for Human Services, has a useful website ([www.MichiganEIC.org](http://www.MichiganEIC.org)) that we believe you will find very useful. This website has information about local outreach coalitions and Volunteer Income Tax Assistance (VITA) sites. It also provides access to the Michigan Poverty Law Program's **I-CAN! E-File**, a free web-based e-filing system.

The League urges you to share this information with your clients and with those in your community who work with low-income individuals and families. Further, because so many low-income filers pay commercial tax preparers for expensive "rapid refund" loans, please emphasize the importance of using free VITA services or filing online for free with **I-CAN!E-File**. By sharing this information you will be helping to put money back into low-income households. **Money Back in Michigan** can be downloaded from <http://www.MiLHS.org>, and is also available by calling the League at (517) 487-5436.



# Money Back in Michigan



**“Returning tax dollars to low-income  
Michigan households”**

**Tax Year 2008**

*An outreach effort sponsored by the Michigan League for Human Services with support from the  
Ford, W. K. Kellogg and Charles Stewart Mott Foundations and local United Ways.*

# Money Back in Michigan

## SAMPLE NEWSLETTER ARTICLE

### **FEDERAL AND STATE TAX CREDITS CAN RETURN DOLLARS TO LOW-INCOME MICHIGAN HOUSEHOLDS**

**L**ow-income taxpayers can benefit from a variety of federal and state tax credits, all of which can help to reduce taxes owed or provide refunds to the taxpayer. These tax credits can significantly increase the financial resources available to low-income households—many of whom struggle to make ends meet while also bearing a heavy tax burden.

The federal tax credits include the Earned Income Credit, the Dependent and Child Care Credit and the Child Tax Credit. Michigan tax credits include the new State Earned Income Credit, the Home Heating Credit, the Homestead Property Tax Credit, and the Child Deduction. Some of these credits are available to individuals who are exempt from filing requirements. In addition, some credits are retroactive and can be claimed after the normal income tax filing deadline of April 15th.

The assistance provided through these tax credits can make a difference in the lives of poor families. Agencies and organizations across the state can help low-income taxpayers benefit from these credits by participating in outreach efforts that may include distribution of informational materials, (including articles in newsletters), convening meetings and training sessions and setting up taxpayer assistance clinics during the tax filing season. Outreach should include educating low-income tax filers on the drawbacks of using expensive rapid-refund services that diminish the size of their refund. Free and ethical taxpayer assistance is available in most communities.

The Michigan EITC Statewide Coalition has established a website ([www.MichiganEIC.org](http://www.MichiganEIC.org)) to assist tax filers, service providers, and volunteers. Filers can visit the website to find out more about the EITC and whether they qualify, and they can use the website's free **I-CAN! E-File** program to prepare and file their taxes online. Filers and volunteers can also find out about free Volunteer Income Tax Preparation (VITA) sites in their communities by going to the website or by calling 2-1-1. (*Note: If your organization is not located in a county with 2-1-1 service, substitute 1-800-552-1183 for 2-1-1 in your article.*)

# Money Back in Michigan

## SAMPLE NEWSLETTER ARTICLE

### ***LOW-INCOME FAMILIES CAN GET RELIEF WITH HOME HEATING EXPENSES***

**D**ue to the high cost of oil and natural gas, Michigan families and individuals are facing enormous home heating expenses this winter. In Michigan, these costs especially harm low-income working families, who may be forced to forgo other necessities in order to pay their monthly heat bills. Many of these families have young children, who are particularly impacted by the financial strain arising from monthly energy costs.

To help offset some of these expenses, the State of Michigan provides a Home Heating Credit to Michigan residents. The credit is available to both homeowners and renters, who can receive the credit even if they do not owe any Michigan income tax and do not file an income tax form for 2008. (The form used to claim the credit is separate from the Michigan income tax form.)

Residents who pay their heating bills themselves get the credit in the form of an energy voucher, which must then be sent to their heat provider. Renters who have heat included in the rent receive a check for half of their credit amount, while recipients of the Family Independence Program have their credit sent directly to the heat provider.

Unlike most tax credits, which need to be claimed on tax forms filed before April 15, the home heating credit can be filed as late as September 30, 2009. Agencies and organizations that serve low-income people are encouraged to make their clients aware of the credit and to assist them in filing for the credit if needed. Filers can also receive assistance through the Michigan Statewide EITC Coalition's website ([www.MichiganEIC.org](http://www.MichiganEIC.org)) or toll-free phone number if they file during tax season.

# Your EITC refund belongs to you, not a tax preparer.

**Don't pay for tax preparation services!**  
**Don't pay for quick refunds!**



Many people do not fill out their tax forms themselves. They pay a tax preparer to do it for them. Unfortunately, that costs money. It costs \$55-\$100 to pay a tax preparer to help you fill out your forms. If you want a quick refund (which is really a high interest loan), that will cost another \$30-\$100. Do you want to spend your EITC this way?

**Don't put  
your  
refund in  
some-  
one  
else's  
pocket!**

## Keep Your Money

If you expect a large EITC refund, then paying up to \$200 for a quick refund may not seem like a lot of money. However, it is your money. Think about what you could use it for.

Fortunately, you have three other choices:

- 1) Fill out your taxes online for free using **I-CAN! E-File** by going to **www. MichiganEIC.org**
- 2) Find out where you can go for free tax help by going to **www. MichiganEIC.org** or calling **2-1-1**. (If no answer, call **1-800-552-1183**.)
- 3) Fill out the forms yourself. The instructions for completing the tax forms include worksheets and tables. You can get these for free from the post office, libraries and other locations, or call **1-800-TAX-FORM**.

# The Federal and State Earned Income Tax Credits (EITC) Tax Year 2008 Fact Sheet

## What are the EITCs?

- ✧ They are tax breaks for working families and individuals.
- ✧ They are part of the federal and state tax codes and are similar to tax refunds.
- ✧ They are designed to reduce the tax burden on struggling families and supplement the wages of low- and moderate-income workers.
- ✧ They help low- and moderate-income workers support their families, encourage a higher participation of those already in the work force, and rewards individuals who find employment.

## Who Can Claim the EITC?

- ✧ Single or married people who worked at some point in 2008, self-employed workers, cash assistance recipients with earned income, and legal immigrants can all qualify for the EITC, depending on their income.
- ✧ Workers whose earnings are too small to have paid federal taxes can still get money back because the EITC is a refundable tax credit. Receiving the tax credit is contingent upon filing a tax form.

- ✧ Individuals who file as *single, head of households, or married filing jointly* may receive the EITC. It is not available to taxpayers who file as *married filing separately*.

## How Can Workers Claim the EITCs?

- ✧ Married workers must file a joint return to get the EITCs.
- ✧ To get the federal EITC, workers raising children in 2008 must file either Form 1040 or 1040A and must fill out and attach Schedule EIC. Workers not raising children in 2008 can file any tax form including the 1040EZ.
- ✧ To get the state EITC, workers simply need to enter the amount of their federal EITC from their federal tax form onto line 31a of their Michigan tax form, and then multiply that number by .10 (10%) and put it on line 31b.
- ✧ Workers who are raising children can request the *Advance Payment Option* from their employers using Form W-5. This enables them to get part of their federal EITC in their paychecks throughout the year and part in a check from the IRS after they file their tax return.

## How Much Can a Worker Get Back Through the EITCs?

	Raising One Child		Raising Two or More Children		Not Raising Children (must be age 25-65)	
	Not Married	Married	Not Married	Married	Not Married	Married
Workers with maximum earnings up to:	\$33,995	\$36,995	\$38,646	\$41,646	\$12,880	\$15,880
Can get a federal EITC up to:	\$2,917		\$4,824		\$438	
Can get a state EITC up to:	\$292		\$482		\$44	
<b>For a Total EITC Amount up to:</b>	\$3,209		\$5,306		\$482	

Employers are required by law to provide this option upon request.

- ✧ Workers can claim the federal EITC for the previous three tax years as well as the current year.

### **Which Children Can Be Counted for EITC Purposes?**

- ✧ Qualifying children must be under age 19, under age 24 if they are full-time students, or any age if they are totally or permanently disabled.
- ✧ Sons, daughters, stepchildren, grandchildren, and adopted children are all considered qualifying children as long as they lived with the taxpayer for more than half the year.
- ✧ Nieces, nephews, children of a friend, or foster children placed by an agency are considered qualifying children if they lived with the taxpayer in the U.S. more than half the year, were cared for as if they were members of the family, and are not claimed on another person's tax return.
- ✧ A valid social security number is required for any qualifying child born before December 31, 2008.

### **What About Errors in Claiming the EITC?**

- ✧ To reduce EITC error and fraud rates, the IRS now verifies the Social Security numbers for all parents and children claiming the EITC.
- ✧ If a worker claims the EITC and the IRS finds out that taxes are owed, the filer must pay whatever is owed. However: (1) the EITC may be enough to cover the taxes owed; (2) the IRS is usually willing to work out payment plans for back taxes; and (3) the filer may be able to make an "offer in compromise" that is less than the tax bill.

### **How Can EITC Refunds Be Used to Build Savings?**

- ✧ Filers can use direct deposit to split a part of their refund into a bank account or IRA. File Form 8888 with the tax return. For more information, go to [www.splitrefunds.net](http://www.splitrefunds.net).

### **Does the EITC Affect Public Assistance Benefits?**

Generally, no. The EITC is not counted as income when determining eligibility for FIP cash assistance, Medicaid, Food Stamps, Supplemental Security Income, or federally assisted housing programs. For certain programs, there may be specified deadlines by which the benefit must be spent.

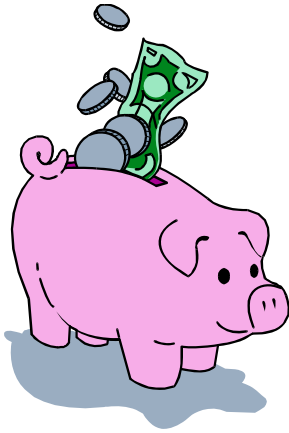
### **Additional Tips**

1. The use of rapid refunds offered by commercial tax preparers is discouraged. They are high interest loans that reduce the amount of money going into the pockets of hardworking taxpayers who need the extra money the refund provides.
2. VITA (Volunteer Income Tax Assistance) sites exist to help people fill out their tax forms for free. To find the nearest VITA site go to [www.michiganeic.org](http://www.michiganeic.org) or call 2-1-1. (If no answer, call **1-800-552-1183**.)
3. Families who qualify for the EITC may also be able to receive other tax credits such as the Michigan Homestead Property Credit, the Federal Child and Dependent Care Credit, the Michigan Home Heating Credit and federal and state child credits and deductions.
4. Credit unions and Michigan Works! Agencies are offering a free web-based tax filing service called **I-CAN!E-File**. Written at a fifth-grade level, **I-CAN!E-File** allows filers to e-file federal and state tax returns on their own at no cost. Go to [www.michiganeic.org](http://www.michiganeic.org) and click on **I-CAN!E-File**.

#### **Remember...**

You can file your taxes online for free using **I-CAN!E-File** at <http://www.MichiganEIC.org>

# FEDERAL EARNED INCOME TAX CREDIT



(Tax Year 2008)

## ***What is it?***

The **Earned Income Tax Credit (EITC)** is designed to supplement wages, and to reduce the tax burden on low- or moderate-income workers. 710,185 working families in Michigan claimed a total of more than \$1.4 billion in tax credits through the EITC for tax year 2007.

## ***Who Qualifies?***

The EITC is available to low- and moderate-income married or single workers (with or without children) who meet the income requirements. Workers may qualify if they worked full- or part-time in 2008. **A qualifying child is a child who is under age 19 at the end of 2008, or under age 24 if a full time student, or any age if totally and permanently disabled.** (This is different from the qualifying rules of the Federal Child Tax Credit.)

## ***How Does it Work?***

Depending on eligibility and income level, workers eligible for the EITC either get money back or pay less in taxes:

- ✧ Eligible workers raising one qualifying child in the home with adjusted gross income of less than \$33,995 (single) or \$36,995 (married) in 2007 can get an EITC of up to \$2,917.
- ✧ Eligible workers raising more than one qualifying child in the home with adjusted gross

income of less than \$38,646 (single) or \$41,646 (married) in 2008 can get an EITC of up to \$4,824.

- ✧ Eligible workers who were not raising children in their home, but who were at least age 25 and under age 65 on December 31, 2008 and had an adjusted gross income of less than \$12,880 (single) or \$15,880 (married), can get an EITC of up to \$438.

## ***How Do Filers Get the Credit?***

- ✧ Workers raising children in 2008 must file Form 1040 or 1040A and **must** fill out and attach Schedule EIC. Married workers must file a joint return to get the EITC. Workers with children cannot get the EITC if they file Form 1040 EZ, known as the “Easy Return,” or fail to attach Schedule EIC.
- ✧ A social security number must be provided for every person listed on the tax return and Schedule EIC.
- ✧ Workers not raising children in 2008 can file any tax form, including Form 1040 EZ. These workers do not need to file Schedule EIC—they write the dollar amount of their credit on the Earned Income Credit line on their tax form.
- ✧ Workers raising children can get part of their EITC in their paychecks throughout the year

with the “Advance EIC” option by completing Form W-5. This form must be filed by the beginning of each new year to continue receiving the Advange EIC.

**(Note:** The federal EITC does not count as income in determining eligibility for Family Independence Program (FIP) cash assistance, food assistance, Medicaid, SSI or public housing.)

## ***Where Can Filers Get Free Tax Help?***

Filers should be encouraged to avoid going to commercial preparers for tax services that cost them money. There are two ways that filers can submit their taxes for free:

- 1) If they do not need much help, they can file taxes themselves. They can use paper forms, or they can file electronically for free using **I-CAN! E-File**, a web-based software that is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) at no charge. It is written at a fifth grade literacy level and is available in

English and Spanish.

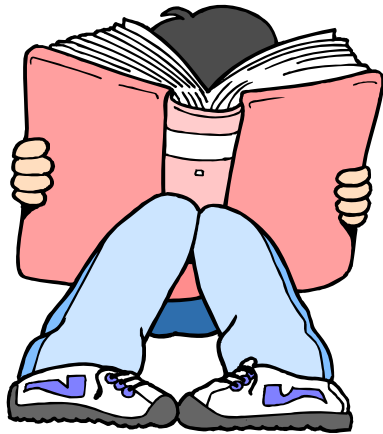
- 2) Filers can also get free tax assistance at one of the many Volunteer Income Tax Assistance (VITA) sites around Michigan. Information on the location and hours of the VITA sites is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) or by calling 2-1-1 (or 1-800-552-1183 if 2-1-1 is not available). In some counties, 2-1-1 is also able to determine EITC eligibility or set appointments for tax assistance.



### ***Remember...***

Always discourage filers from using commercial tax services such as “rapid refund” (refund anticipation loan) packages. They charge a high fee and take a large percentage of the filer’s EITC refund.

# FEDERAL CHILD TAX CREDIT



(Tax Year 2008)

## ***What is it?***

The Federal Child Tax Credit (CTC) is for taxpayers raising dependent children under age 17. The CTC can give a family back some or all of any additional income tax still owed at the end of the year.

## ***Who Qualifies?***

The Federal Child Tax Credit is available for families whose children meet the following criteria:

- ✧ A qualifying child must be the tax filer's own child, a relative cared for as the tax filer's own child, or a foster child placed by an agency, and must have lived with the filer in the U.S. for more than half the year.
- ✧ The child must have been under age 17 for the entire 2008 tax year.
- ✧ The child must be a U.S. citizen with a valid Social Security number, or a resident alien with an Individual Taxpayer Identification Number (ITIN).

(Note: The child is no longer required to be a dependent of the filer; however, if a filer claims a qualifying child who is not a dependent, he or she must complete Form 8901).

## ***How Does it Work?***

- ✧ Taxpayers must have taxable earned income over \$8,500 in 2008 to qualify for a refund. Single parents with income up to \$75,000, and

married parents with incomes up to \$110,000 (filing jointly) or \$55,000 (filing separately), first apply a Federal Child Tax Credit of \$1,000 per child to reduce or eliminate their tax liability. Families who still have CTC remaining after their tax liability has been eliminated may receive a refund in the lesser of two amounts: 1) the amount of CTC that remains, or 2) 15 percent of the family's earned income over \$8,500.

- ✧ Filers with children who receive the Earned Income Tax Credit (EITC), and who owe income tax, may also receive the CTC. The Child Tax Credit will not reduce benefits from the EITC.
- ✧ Many filers received an advance payment on their Child Tax Credit during 2008. Workers who received an advance payment on their Child Tax Credit must deduct this amount on their tax form. Taxpayers who received a credit that is smaller than the amount they received in advance, or who no longer qualify for the credit, are not required to pay back the refund.

## ***How Do Filers Get the Credit?***

- ✧ To claim the credit, workers must file Form 1040 or 1040A, which include a detailed Child Tax Credit Worksheet. Since the worksheet is fairly complicated, they should be encouraged to seek assistance from a free Volunteer

Income Tax Assistance (VITA) site near them. Workers claiming the Child Tax Credit cannot use the 1040 EZ.

- ✧ Filers with three or more children, and some other filers, are eligible to take the “Additional Child Tax Credit”. Filers can determine if they are eligible by filling out the CTC worksheet. Filers claiming the additional credit must also complete IRS Form 8812.

- 2) Filers can also get free tax assistance at one of the many Volunteer Income Tax Assistance (VITA) sites around Michigan. Information on the location and hours of the VITA sites is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) or by calling 2-1-1 (or 1-800-552-1183 if 2-1-1 is not available). In some counties, 2-1-1 is also able to determine EITC eligibility or set appointments for tax assistance.

## ***Where Can Filers Get Free Tax Help?***

Filers should be encouraged to avoid going to commercial preparers for tax services that cost them money. There are two ways that filers can submit their taxes for free:

- 1) If they do not need much help, they can file taxes themselves. They can use paper forms, or they can file electronically for free using **I-CAN! E-File**, a web-based software that is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) at no charge. It is written at a fifth grade literacy level and is available in English and Spanish.



### ***Remember...***

Workers who know they will be eligible for the Federal Child Tax Credit in 2009 can arrange to have less income tax withheld from their pay, since the credit reduces their income tax. This can increase their take-home pay throughout the year.



# FEDERAL CHILD & DEPENDENT CARE CREDIT

(Tax Year 2008)

## **What is it?**

The **Child and Dependent Care Credit** is a federal tax benefit designed to assist families with the cost of care for children or other dependent relatives.

## **Who Qualifies?**

Families can claim this credit if:

- ✧ They paid for care in 2008 for a child under 13 or a disabled adult; **AND**
- ✧ They needed the child or dependent care to work or look for work; **AND**
- ✧ They paid over half the cost of keeping up their home (rent, food, etc.); **AND**
- ✧ They paid less for dependent care than their 2008 income.

## **How Does It Work?**

Families can claim only a limited amount of their care expenses. Eligible families will receive a credit worth between 20 percent and 35 percent of these expenses, depending upon income.

- ✧ Families with one child or dependent can claim up to \$3,000 and receive a credit of up to \$1,050.
- ✧ Families with more than one child can claim up to \$6,000 and receive a credit of up to \$2,100.
- ✧ The credit will reduce the amount of taxes owed.

**(Note:** Families earning too little to pay federal income taxes cannot use this credit).

## **How Do Filers Get the Credit?**

In order to receive the tax credit, filers must use federal Form 2441 and attach it to the federal Form 1040 or 1040A (Schedule 2).

## **Where Can Filers Get Free Tax Help?**

Filers should be encouraged to avoid going to commercial preparers for tax services that cost them money. There are two ways that filers can submit their taxes for free:

- 1) If they do not need much help, they can file taxes themselves. They can use paper forms, or they can file electronically for free using **I-CAN! E-File**, a web-based software that is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) at no charge. It is written at a fifth grade literacy level and is available in English and Spanish.
- 2) Filers can also get free tax assistance at one of the many Volunteer Income Tax Assistance (VITA) sites around Michigan. Information on the location and hours of the VITA sites is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) or by calling 2-1-1 (or 1-800-552-1183 if 2-1-1 is not available). In some counties, 2-1-1 is also able to determine EITC eligibility or set appointments for tax assistance.

### **Remember...**

The Child and Dependent Care Credit is available to any family with tax liability that pays for the care of a child or other dependent, regardless of income.



# STATE EARNED INCOME TAX CREDIT

(Tax Year 2008)

## **What is it?**

The Michigan Earned Income Tax Credit (Michigan EITC), like the federal EITC, is designed to supplement wages and reduce the tax burden on low- or moderate-income workers. Tax Year 2008 is the first year in which it will be in effect. It is expected that about 750,000 workers in Michigan will claim the new state EITC.

## **Who Qualifies?**

All workers who are eligible for the federal EITC are categorically eligible for the state EITC.

## **How Does It Work?**

The state EITC for Tax Year 2008 is equal to 10 percent of the federal EITC.

## **How Do Filers Get the Credit?**

Filers must do their federal taxes first. A filer's completed federal tax form will indicate the amount of federal EITC for which he or she is eligible. The filer then simply writes that federal EITC amount on Line 31a of the MI-1040. The filer then multiplies that amount by .10 (10%) and enters that amount on Line 3b.

## **Where Can Filers Get Free Tax Help?**

Filers should be encouraged to avoid going to commercial preparers for tax services that cost them money. There are two ways that filers can submit their taxes for free:

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### **Remember...**

The state EITC is ten percent of the federal EITC for Tax Year 2008, but will go to 20 percent in Tax Year 2009 and beyond.

# STATE CHILD DEDUCTION



(Tax Year 2008)

## **What Is It?**

The **State Child Deduction** is a deduction for Michigan taxpayers raising children under 18 years of age.

## **Who Qualifies?**

Taxpayers who claim children as dependents on their federal income tax form qualify if the children are under age 18 as of December 31, 2008.

## **How Does It Work?**

A deduction of \$600 can be claimed for each child up to 18 years of age whom you can claim as an exemption.

## **How Do Filers Get the Credit?**

Families must fill out a MI-1040 income tax form. The MI-1040 EZ form cannot be used.

The State Child Deduction is not a deduction for the cost of child care. It is available to taxpayers raising children, regardless of whether they have child care costs.

## **Where Can Filers Get Free Tax Help?**

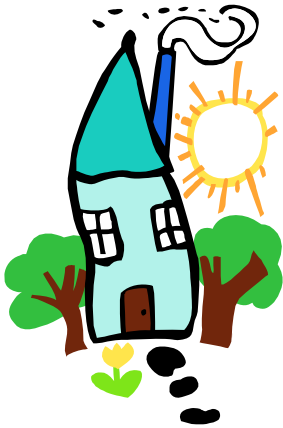
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## **Remember...**

This is referred to as an exemption on the tax form MI-1040, line 9 (d) for tax year 2008.

# STATE HOMESTEAD PROPERTY TAX CREDIT



(Tax Year 2008)

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## ***What Is It?***

The **Homestead Property Tax Credit** is a state benefit available to eligible Michigan residents who pay high property taxes in relation to their income.

## ***Who Qualifies?***

Filers who own a home may qualify for a Homestead Property Tax Credit if:

- ✧ The homestead (i.e., the principle place of residence) is in Michigan;
- ✧ The filer lived in Michigan for at least 6 months in 2008;
- ✧ The filer pays property taxes or rent on a Michigan homestead; and
- ✧ The filer's income is below \$82,650.

## ***How Much is the Credit?***

The amount of the credit depends on the amount of income—\$1,200 is the maximum credit. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that the household income exceeds \$73,650. The Homestead Property Tax Credit can be used to reduce the amount of taxes owed or it can be issued as a refund.

## ***How Do Filers Get the Credit?***

- ✧ Applicants must use Form MI-1040CR. An applicant should complete both Form MI-1040CR and Form MI-1040CR-2 if the applicant is any of the following:
  - blind and owns a homestead
  - active in the military
  - an eligible veteran

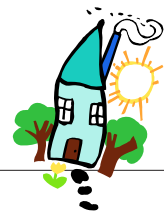
Applicants who complete both forms should return whichever form gives a larger credit.

## ***Where Can Filers Get Free Tax Help?***

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- 1) If they do not need much help, they can file taxes themselves. They can use paper forms, or they can file electronically for free using **I-CAN! E-File**, a web-based software that is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) at no charge. It is written at a fifth grade literacy level and is available in English and Spanish.
- 2) Filers can also get free tax assistance at one of the many Volunteer Income Tax Assistance (VITA) sites around Michigan. Information on

the location and hours of the VITA sites is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) or by calling 2-1-1 (or 1-800-552-1183 if 2-1-1 is not available). In some counties, 2-1-1 is also able to determine EITC eligibility or set appointments for tax assistance.



***Remember...***

Homeowners do not have to file a Michigan income tax return in order to qualify for this credit. Homeowners can file a credit claim as soon as they know their household income and property taxes for 2008.

# STATE HOME HEATING TAX CREDIT



(Tax Year 2008)

## What Is It?

The **Home Heating Tax Credit (HHTC)** is a state benefit available to eligible low-income households to help offset the cost of heating their homes. Cash assistance recipients and persons who receive other public assistance may be eligible for the credit if they owned or rented a homestead in 2008. (Form MI-1040CR-7 must be used to claim the credit.) More information about heating assistance can be found at [www.michigan.gov/heatingassistance](http://www.michigan.gov/heatingassistance).

## Who Qualifies?

Michigan residents qualify if they own or rent a home-stead in the state and their income is below the income limit. Residents of congregate care facilities (i.e. adult foster care homes, nursing homes, homes for the aged and substance abuse treatment centers) are ineligible.

## How Does the Credit Work?

The credit is based on: 1) household income; 2) the number of exemptions claimed; and 3) the actual home heating costs. The following tables can be used to determine eligibility for the credit. Filers who are eligible under both methods, can claim the largest amount.

Table A

### 2008 Home Heating Credit Standard Allowance

<i>Your Exemptions</i>	<i>Maximum Credit</i>	<i>Income Limit</i>
0 or 1	\$401	\$11,443
2	\$ 540	\$15,415
3	\$ 679	\$19,386
4	\$ 817	\$23,329
5	\$ 956	\$27,301
6	\$1,094	\$31,243
	+ \$139 for each exemption over 6	+\$3,971 for each exemption over 6

Table B

### Exemptions and Maximum Income for the Alternative Credit Computation

<i>Your Exemptions (from line 1.1)</i>	<i>Maximum Income</i>
0 or 1	\$12,590
2	\$16,942
3	\$21,298
4 or more	\$21,373

## What Are the Available Exemptions?

Residents may claim **one** exemption for each of the following:

- ✧ Self, unless claimed as a dependent on someone else's return;

- ✧ The filer's spouse;
- ✧ The filer's children who live with the worker;
- ✧ Any other dependent of which the filer has custody and for whom the filer furnishes more than half the support.

Seniors (age 65+) and disabled individuals may be eligible to claim an additional exemption.

### ***How Do Filers Get the Credit?***

- ✧ Filers who pay their heating bills themselves, under their own name will be sent an energy draft (voucher). The draft must be sent to the energy provider, who will apply the draft amount to the outstanding balance.
- ✧ Renters who have heat included in the rent will be sent a check for one-half of the credit amount.
- ✧ If a filer is a DHS recipient whose heat is provided by DTE Energy, Consumers Energy or SEMCO Energy Gas, the home heating credit will be sent directly to the worker's heat provider.

**Note:** If the credit amount exceeds the filer's heat account balance, the filer may receive a refund from the heat provider for the overpayment, if eligible. (To be eligible, the filer must have no out-standing balance with the heat provider and must not have received heat assistance in the past 12 months.) If not eligible, the excess refund will be applied toward future bills. If, after nine months, a refund balance still remains on account with the heat provider, the heat provider will issue a refund.

### ***Where Can Filers Get Free Tax Help?***

Filers should be encouraged to avoid going to commercial preparers for tax services that cost them money. There are two ways that filers can submit their taxes for free:

- 1) If they do not need much help, they can file taxes themselves. They can use paper forms, or they can file electronically for free using **I-CAN! E-File**, a web-based software that is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) at no charge. It is written at a fifth grade literacy level and is available in English and Spanish.
- 2) Filers can also get free tax assistance at one of the many Volunteer Income Tax Assistance (VITA) sites around Michigan. Information on the location and hours of the VITA sites is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) or by calling 2-1-1 (or 1-800-552-1183 if 2-1-1 is not available). In some counties, 2-1-1 is also able to determine EITC eligibility or set appointments for tax assistance.



#### ***Remember...***

A filer does not have to pay income tax or file a regular MI-1040 income tax form in order to get a Home Heating Tax Credit for 2008. Applications (MI-1040CR-7) can be filed as early as January 1, 2009 for tax year 2008, but filers must file before September 30, 2009. Those who file before April 17, 2009 receive priority in processing.