



# INCOME TAX TIP SHEET



This tip sheet is intended to give youth who had child welfare involvement some items to consider when filing your taxes. We cannot help you file your taxes or give you advice on your specific situation.

## Tax Basics

### FILING TAXES:

A “tax return” is the form you file with the IRS that reports how much money you earned (your income) and calculates how much money you will receive back or what you might owe.

### TAX YEAR:

The tax year is a calendar year - from January to December. You file your 2019 taxes in 2020 (usually from January-April)

### FILING & DUE DATE:

April 15th is regularly the day when taxes are supposed to be filed. This year the date was moved July 15, 2020. If you owe money on taxes, this is also the day your payment is due.

### LATE RETURNS:

If you file after the due date, that is called a “late return.” If you missed the deadline, you should file your taxes as soon as you can. You can get a **refund even if you filed late**. If you had not filed taxes in the past and are entitled to a refund for those years, you can still get for a refund up to 3 previous tax years. But if you owe money from past years you may have to pay late fees and penalties.

### AMENDED RETURNS:

You can amend a tax return after you have filed it. The refund due or money owed will be calculated based on the amended return.

### INCOME:

Income is the money you earn or get from other sources. For purposes of filing your taxes, money that you get from most government benefits do not count as income that you have to report on your taxes. You do not have to report Postsecondary Educational Services and Supports (PESS), Extended Foster Care (EFC), Supplemental Security Income (SSI), SNAP (food stamps) or cash assistance – Temporary Assistance for Needy Families (TANF)

### WITHHOLDING:

If you work for a company, it most likely sends some of your pay to the federal government to cover your federal taxes. What they don't pay you is called withholding. If you work for yourself, you should pay a quarterly estimated tax. (That's a payment every 3 months so you don't owe everything at the end of the year.)



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## REFUND:

If the amount withheld is more than the amount of tax you owe, then when you file your taxes you will get the extra money back in your refund. If you don't file your taxes, you won't get the money you are owed!

## TAX DEDUCTION:

A tax deduction is a way to lower the amount of money that you owe in taxes. There is a "standard deduction" of \$12,200 which can be used by most low and middle income taxpayers. So, for example if you are single with no children and make \$20,000 a year, you apply the standard deduction of \$12,200 then your tax is calculated on income \$7,800 or \$783. So if your employer withheld more than \$783 you will get the difference back as a refund.

## TAX CREDIT:

A tax credit is another way to reduce the amount of money taken for taxes, after the amount you owe is figured out. Using the example above, if you owe \$783 and have a tax credit of \$500, then you will get back what was withheld minus \$283.

## Refundable Tax Credits You Need to Know About You may use all of the credits that you are eligible for!

### 1. THE ECONOMIC STIMULUS PAYMENTS.

#### (TARGET: ALL ADULTS)

Technically, the Economic Stimulus payments are an advance payment on a refundable tax credit for your 2020 taxes. If you are eligible for it, but don't get your Stimulus Payment in 2020 you will be able to get the money after filing your 2020 taxes in 2021. For more information see our Tip Sheet [link to stimulus tip sheet]

### 2. THE EARNED INCOME TAX CREDIT (EITC).

#### (TARGET: WORKING POOR)

The EITC is available to people who earned at least \$1 and less than \$15,570 (if single with no children) in 2019. Parents who have custody of their children will get bigger refunds, but you do not have to be a parent to get cash back.

- a. The IRS Website has information on the [Earned Income Tax Credit](#)
- b. For an easier to understand chart see this [article at NerdWallet](#)



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## 3. THE AMERICAN OPPORTUNITY TAX CREDIT.

### (TARGET: COLLEGE STUDENTS IN FIRST 4 YEARS OF SCHOOL)

This tax credit is available to students enrolled in higher education. It is a credit on up to \$4,000 of education expenses. However, that does not mean you will get a \$4,000 credit, as the calculation is more complicated. If you receive the tuition exemption, your tuition does not count as an education expense. But books, laptops, etc. will be included as education expenses.

**Tip:** Be sure to tell your tax preparer that students who use Florida's tuition and fee exemption ARE eligible for this credit. They are used to looking at the school print out and using tuition as the main expense for this credit. But books, laptops and other expenses also count as educational expenses for this credit.

[To read more go here](#)

## Tax Preparation and Filing Options

Check to see if your Independent Living Program offers tax preparation assistance. In ordinary times, there are many locations where trained volunteers can help you prepare your taxes called Volunteer Income Tax Assistance (VITA) programs. Most of those sites closed during the COVID-19 emergency. You can try searching for open sites [here](#) or by calling or call **800-906-9887**

The IRS has a "Free File" option for people whose income is below \$69,000. It is available [here](#). There are several companies that offer tax software that will walk you through the questions you need to answer to file your taxes.

You can also hire a person or company to prepare your taxes. If you hire a person, be sure that they have Preparer Tax Identification Number.

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