



COMMUNITY ADVOCATES
Public Policy Institute

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**LOW-INCOME WORKERS CAN RECEIVE ADVANCE
ON STATE EARNED INCOME CREDIT**

Advance Payment Allows Workers to Access a Portion of Refund as Part of Paycheck

Milwaukee (March 12, 2010)—This year, Wisconsin’s low-income workers can receive an advance payment on their state Earned Income Credit (EIC) as well as on their federal EIC.

By filing Wisconsin Department of Revenue Form WT-5, low-wage workers who claim a portion of the federal EIC on an advance basis can also claim a portion of the state EIC on an advance basis.

Both advance payments, which are obtained by workers from their employers, are then subtracted from the lump sum payments that workers claim when they file their 2010 federal and state income tax returns in 2011.

The state advance EIC is 4 percent, 14 percent or 43 percent of the federal advance EIC. During 2010, the maximum state advance EIC amount is \$73.20, \$256.20 or \$786.90 per year, depending on whether there are one, two or three children.

“This year, Wisconsin’s workers can utilize the state’s Earned Income Credit to increase the size of each paycheck during these difficult economic times,” said David R. Riemer, director of the Community Advocates Public Policy Institute. “For tens of thousands of working Milwaukeeans who earn low wages, the tax-filing season is actually an opportunity to twice raise their income, first by claiming the federal and state Earned Income Credits for 2009, and second by requesting advance payments from their employers during the current year of the federal and state EICs they’ll claim in 2011. This is a great way to put more money on the table sooner to help pay the rent, buy food or pay their bills.”

—more—

Credits Vary

More than 100,000 eligible low-wage workers in Milwaukee are already familiar with both the federal and supplemental state EIC. Both versions of the EIC can be claimed as a lump sum by filing a federal and then a state income tax return.

The credits vary depending on the filer's earnings and the number of dependent children in the household. If a filer has one dependent child, the federal EIC can rise as high as \$3,043 for 2009. A filer with two dependent children can claim a maximum of \$5,028 in 2009, and a filer with three or more kids can claim up to \$5,657.

State EIC Piggy-Backs on Federal EIC

The state EIC piggy-backs on the federal EIC, providing 4 percent of the federal EIC if the filer has one dependent child, 14 percent for two children, and 43 percent for three or more children.

The table below shows how the two EICs work together to improve low-wage workers' incomes by as much as \$8,100.

Workers who want to learn more about both the federal EIC and the state EIC—and in particular about their ability to obtain an advance payment of a portion of the two tax credits from their employers—can visit the Public Policy Institute Web site, www.ca-ppi.org, which features links to two important IRS and Wisconsin Department of Revenue documents that explain the procedure.

New State Advance Payment Feature

For many decades, taxpayers could only get an advance payment on their federal EIC. By filling out federal IRS form W-5, low-wage workers can direct their employers to add to their paychecks an amount that equals 60 percent of the federal EIC available to one-child families, rather than wait until the next year's tax-filing season. The portion of the federal EIC that's thus advanced is subtracted from the federal EIC lump sum payment claimed prior to the April 15 tax-filing deadline in the following year.

But even though Wisconsin's own supplemental state EIC has been in existence since the 1989 tax year, the state EIC did not have an advance payment feature until the middle of 2009. This year is the first in which the state's advance EIC is available from employers throughout the entire year.

The table below shows the details of how the 2009 federal and state EIC work, and what portion of the 2010 federal and state EIC can be claimed in advance from employers.

State EIC / Add Two

2009 Tax Year				
Number of Qualifying Dependent Children				
	0	1	2	3 or More
Final Lump Sum				
<i>Federal EIC *</i>				
• Maximum Amount	\$457	\$3,043	\$5,028	\$5,657
<i>State EIC</i>				
• Percent of Federal EIC	N/A	4%	14%	43%
• Maximum Amount	N/A	\$122	\$704	\$2,432
<i>Combined Federal & State</i>				
• Maximum Amount	\$457	\$3,165	\$5,732	\$8,089

2010 Tax Year				
Number of Qualifying Dependent Children				
	0	1	2	3 or More
Final Lump Sum				
<i>Federal EIC **</i>				
• Maximum Amount	\$457	\$3,050	\$5,036	\$5,666
<i>State EIC</i>				
• Percent of Federal EIC	N/A	4%	14%	43%
• Maximum Amount	N/A	\$122	\$705	\$2,436
<i>Combined Federal & State</i>				
• Maximum Amount	\$457	\$3,172	\$5,741	\$8,102
Advance Payment				
<i>Federal EIC **</i>				
• Maximum Advance	N/A	\$1,830	\$1,830	\$1,830
<i>State EIC:</i>				
• % of Federal Advance	N/A	4%	14%	43%
• Maximum Advance		\$73	\$256	\$787
<i>Combined Federal & State</i>				
• Maximum Advance	N/A	\$1,903	\$2,086	\$2,617

* Source: "EITC Income Limits, Maximum Credit Amounts and Tax Law Updates,"

Internal Revenue Service, <http://www.irs.gov/individuals/article/0,,id=150513,00.html>

** Source: "Preview 2010 EITC Income Limits, Maximum EITC Amount 1 and the EITC-related Tax Law Changes," Internal Revenue Service, <http://www.irs.gov/individuals/article/0,,id=215766,00.html>

The Community Advocates Public Policy Institute has a clear and simple goal: To explain why so many Milwaukeeans are poor, and to develop and implement a practical strategy to greatly reduce the level of poverty in our community and offer the poor the tools they need to lead better lives.