



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

NEWS RELEASE

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Average EITC Refund for Vermonters More than Two Thousand Dollars

MONTPELIER, Vt.—Vermont families earning less than \$48,000 a year may qualify for federal and state tax credits under the Earned Income Tax Credit (EITC) program that could mean thousands of dollars in their pockets. The Vermont State Treasurer's Office is joining with other state and federal organizations to remind Vermonters about this credit. January 29 is EITC Awareness Day nationwide.

"Surprisingly, the IRS estimates as many as 25 percent of all eligible taxpayers don't file for the EITC because they are unaware of it," said State Treasurer Jeb Spaulding. "This special tax benefit for working people of low or moderate incomes has been available on the federal level since 1975 and at the state level since 1987. As Vermonters prepare their 2009 tax forms, I urge them to check their eligibility for this benefit."

The Earned Income Tax Credit is so-named because, to qualify, a person must work and have earned income. Taxpayers may claim the federal EITC as part of completing their 1040 or 1040-A form. For the state EITC, Vermonters must first claim the credit on their federal return and then complete the 2009 Vermont Tax Adjustments and Credits form IN-112.

While claiming the EITC does require more steps, claim statistics indicate it is well worth the effort. For the 2008 tax year, the IRS reported that 40,166 Vermont taxpayers received the federal EITC amounting to \$66,360,633, making the average refund \$1,652. The Vermont Tax Department reports that 39,504 Vermonters claimed the State EITC for the 2008 tax year worth a total of \$21,169,683. The average refund was \$536. Vermont's EITC State law allows a resident to receive an additional tax credit of 32 percent of the amount the taxpayer receives from the federal EITC. For example, if a taxpayer received the maximum federal EITC of \$5,657, the state EITC would be approximately \$1,810.

"Many people will qualify for the EITC for the first time this year because their income declined, their marital status changed, or they added children to their families," said IRS Senior Tax Consultant Christine Curtis. "Additionally, the amount of income a taxpayer may earn and still be eligible for the credit was increased by several thousand dollars, and a third eligibility category for taxpayers with three or more qualifying children was created. The new category enables eligible families with three or more children to receive hundreds more dollars in credit."

Generally, a taxpayer may be able to take the credit for the 2009 tax year if the taxpayer:

- has three or more qualifying children and earns less than \$43,279 (\$48,279 if married filing jointly); or

- has two qualifying children and earns less than \$40,295 (\$45,295 if married filing jointly); or
- has one qualifying child and earns less than \$35,463 (\$40,463 if married filing jointly); or
- does not have a qualifying child and earns less than \$13,440 (\$18,440 if married filing jointly).

New this year is the option for taxpayers receiving *any* refund to purchase U.S. savings bonds through direct deposit. Form 8888, Direct Deposit of Refund to More Than One Account, is used to split a tax refund into two or three financial accounts. Taxpayers may now request a portion of their refund be used to buy up to \$5,000 in low-risk, liquid Treasury Bonds, which earn interest and protect owners against inflation.

Refunds also may be deposited directly into previously established traditional IRAs, Roth IRAs and SEP-IRAs. Prior to initiating a direct deposit into a retirement fund, taxpayers should check with their financial institution to confirm that it will accept direct deposits and to inform the retirement account trustee of the tax year to which the IRA should be contributed. For example, if a taxpayer intends for a direct deposit to be designated as a 2009 IRA contribution, but fails to inform the trustee, the deposit might be designated as a 2010 contribution. The direct deposit contribution to an IRA must be made prior to April 15, 2010, in order to apply to the 2009 tax year.

For Vermonters earning less than \$50,000 in 2009, free tax assistance services are available. IRS-certified volunteer tax preparers will work through a statewide network of 64 sites to help taxpayers file their taxes. Last year, the Vermont Volunteer Income Tax Assistance (VITA) sites helped more than 6,000 Vermonters. AARP also offers free tax counseling and preparation services to low- and middle-income-level Vermonters, but especially for those age 60 and older. AARP Tax-Aide served more than 4,200 individual Vermonters last year.

A list of free tax assistance sites is available through the State Treasurer's web site by going to www.MoneyEd.Vermont.gov and by calling the United Way Information Line at 2-1-1. The IRS also offers a web site with an easy-to-use interactive tool to help taxpayers determine whether they qualify for the EITC. The EITC Assistant is located at www.irs.gov/eitc. For more information, call the Vermont Department of Taxes at 1-866-828-2865 (toll-free in Vermont) or 802-828-2865 for local or out-of-state calls.