



# Money Back in Michigan



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

**Tax Year 2010**

*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.*

# Your Earned Income Credit refund belongs to you, not a tax preparer.

**Don't pay for tax preparation services!**  
**Don't pay for "rapid refund" loans!**



Many people do not fill out their tax forms themselves. They pay a tax preparer to do it for them. Unfortunately, it costs a lot of money 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 even more money. Do you want to spend hundreds of dollars to get your Earned Income Credit refund?

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

## Keep All of Your Money

If you expect a large Earned Income Credit refund, then paying hundreds of dollars 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 paper 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**.
- 2) Fill out your taxes online for free using **I-CAN! E-File** by going to **www.MichiganEIC.org** or **www.icanefile.org**
- 3) 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**.)

# The Federal and State Earned Income Tax Credits (EITC) Tax Year 2010 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.
- ✧ 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 in the workforce, and rewards individuals who find employment.

## Who Can Claim the EITC?

- ✧ Single or married people who worked at some point in 2010, 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*.

- ✧ Workers with investment income exceeding \$3,100 in 2010 may not claim the EITC.

## 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 2010 must file either Form 1040 or 1040A and must fill out and attach Schedule EIC. Workers not raising children in 2010 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 28a of their Michigan tax form, and then multiply that number by .20 (20%) and put it on line 28b.
- ✧ 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. They

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

	Raising One Child		Raising Two Children		Raising Three or more Children		Not Raising Children (must be age 25-64)	
	Single	Married	Single	Married	Single	Married	Single	Married
Workers with maximum earnings up to:	\$35,535	\$40,545	\$40,363	\$45,373	\$43,352	\$48,352	\$13,460	\$18,470
Can get a federal EITC up to:	\$3,050		\$5,036		\$5,666		\$457	
Can get a state EITC up to:	\$610		\$1,007		\$1,133		\$91	
<b>For a Total EITC Amount up to:</b>	\$3,660		\$6,043		\$6,799		\$548	

must be younger than the person claiming the child, unless totally and 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.
- ✧ In some cases, brothers, sisters, stepbrothers and stepsisters who live with the filer for more than half the year may be counted, if they are not counted on anyone else's return.
- ✧ Nieces, nephews, 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, 2010.

## 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 federal refund into a bank account or IRA.

To do this, 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 Assistance, Supplemental Security Income, or federally assisted housing programs. For certain programs, there may be specified deadlines by which the benefit must be spent.

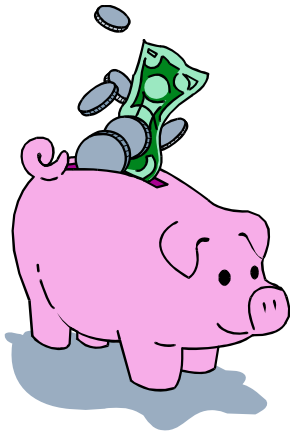
## Additional Tips

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.
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. Tax filers can file their federal and state (not local) income taxes for free at **I-CAN!E-File**. This program makes sure EITC-eligible filers claim all their tax credits. Go to [www.michiganeic.org](http://www.michiganeic.org) and click on **I-CAN!E-File**, or go to [www.icanefile.org](http://www.icanefile.org)

### **Remember...**

You can file your taxes online for free using **I-CAN!E-File** at [www.MichiganEIC.org](http://www.MichiganEIC.org) or [www.icanefile.org](http://www.icanefile.org)

# FEDERAL EARNED INCOME TAX CREDIT



(Tax Year 2010)

## ***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. Approximately 783,000 working families in Michigan claimed a total of more than \$1.7 billion in tax credits through the EITC for tax year 2009.

## ***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 2010. **A qualifying child is a child who is under age 19 at the end of 2010, 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 \$33,535 (single) or \$40,545 (married) in 2010 can get an EITC of up to \$3,050.
- ✧ Eligible workers raising two qualifying children in the home with adjusted gross income of less

than \$40,363 (single) or \$45,373 (married) in 2010 can get an EITC of up to \$5,036.

- ✧ Eligible workers raising three or more qualifying children in home with adjusted gross income of less than \$43,352 (single) or \$48,352 (married) in 2010 can get up to \$5,666.
- ✧ Eligible workers who were not raising children in their home, but who were at least age 25 and under age 65 on December 31, 2010 and had an adjusted gross income of less than \$13,460 (single) or \$18,470 (married), can get an EITC of up to \$457.

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

- ✧ Workers raising children in 2010 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 2010 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 Advance 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) or [www.icanefile.org](http://www.icanefile.org). It is written at a fifth-grade literacy level and is available in English and Spanish.

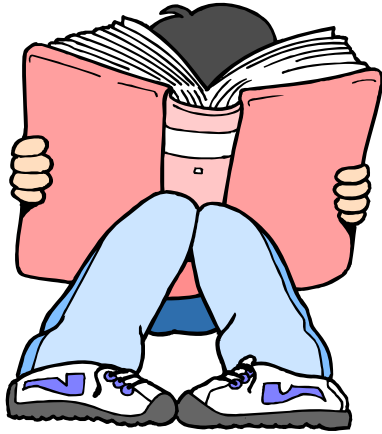
- 2) Filers can also get free tax assistance at one of the many Volunteer Income Tax Assistance (VITA) sites around Michigan. Information on the location and hours of the VITA sites is available at [www.MichiganEIC.org](http://www.MichiganEIC.org) or by calling 2-1-1 (or 1-800-552-1183 if 2-1-1 is not 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 2010)

## ***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. Families can get a credit of up to \$1,000 for each child.

## ***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 2010 tax year.
- ✧ The child must be a U.S. citizen with a valid Social Security number, or a legal resident with an Individual Taxpayer Identification Number (ITIN).

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

- ✧ Taxpayers must have taxable earned income over \$3,000 in 2010 to qualify for a refund.

Filers 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 \$3,000.

- ✧ 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.

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

- ✧ To claim the credit, workers must file Form 1040 or 1040A. Workers claiming the Child Tax Credit cannot use the 1040 EZ.
- ✧ Filers should complete the CTC worksheet included in the tax form. If, after the completion of the worksheet, the filer has eliminated his/her income tax, or if the filer has three or more children, the filer should complete Form 8812 for the Additional Child Tax Credit.

## ***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) or [www.icanefile.org](http://www.icanefile.org). 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...***

Workers who know they will be eligible for the Federal Child Tax Credit in 2011 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 2010)

## **What is it?**

The **Child and Dependent Care Credit** is a nonrefundable federal tax credit 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 2010 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 2010 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) or [www.icanefile.org](http://www.icanefile.org). 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.

# FEDERAL AMERICAN OPPORTUNITY TAX CREDIT



(Tax Year 2010)

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

Congress enacted the American Opportunity Tax Credit (AOTC) for 2009 and 2010 as part of the 2009 economic stimulus legislation. This new credit expands the previous Hope Credit by being partly refundable—up to \$1,000 of the AOTC may be claimed even if the individual earns too little to owe income tax. The AOTC can make education more affordable for many more low-income families and students who might not otherwise be able to attend college. Tax filers who claim this credit may also claim the Earned Income Tax Credit and Child Tax Credit, if they qualify.

## ***Who Qualifies?***

The AOTC is available for students who are in their first four years of college (the Hope Credit covered only the first two years) and are pursuing an undergraduate degree. Filers may be eligible for the AOTC if they:

- ✧ paid for “qualified educational expenses,” whether for themselves, their spouse or their dependents, at an “eligible educational institution,” and
- ✧ have adjusted gross income in 2010 less than \$80,000; \$160,000 if married (these limits are higher than under the Hope Credit rules). The amount of the AOTC phases-out at income levels above this.

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

Filers must use IRS Form 8863 to claim the credit. It must be attached to the tax return. Filers cannot use 1040EZ if they are claiming this credit.

The AOTC is now worth up to \$2,500—an increase from the Hope Credit’s maximum of \$1,800. The AOTC is figured by taking the first \$2,000 paid towards the student’s qualified educational expenses, and adding 25 percent of the next \$2,000 in educational expenses, up to \$2,500. The AOTC provides a refundable credit worth 40 percent of this total, up to \$1,000. If no income tax is owed, the filer still qualifies for an AOTC up to \$1,000. If tax is owed, the balance of the credit is used to reduce the filer’s tax liability.

Qualified educational expenses for the AOTC include:

- ✧ Tuition (after the subtraction of tax-free contributions such as scholarships, fellowships, Pell Grants, employer assistance, and veterans assistance)
- ✧ Course-related materials, whether or not they are required for enrollment at an educational institution.

The following are not qualifying expenses: insurance, medical expenses, room and board, transportation, other living or family expenses, and child care.

## ***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) or [www.icanefile.org](http://www.icanefile.org). 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.



# FEDERAL MAKING WORK PAY CREDIT



(Tax Year 2010)

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

Established by the American Recovery and Reinvestment Tax Act of 2009 (ARRA), the Making Work Pay Credit (MWPC) is a new tax credit worth up to \$400 for individuals and \$800 for married couples filing jointly, regardless of whether or not they are raising children. 2010 is the last year that this credit will be available.

## ***Who Qualifies?***

To qualify for the MWPC in 2010, a worker must have a valid Social Security number and cannot be claimed as a dependent for 2010 by another individual.

- ✧ There are no age limits for workers to qualify for the MWPC.
- ✧ The MWPC is a maximum of \$400 (\$800 for married couples filing jointly) for workers with adjusted gross income up to \$75,000 (\$150,000 for joint filers). At incomes above those levels, the amount of the MWPC phases out and reaches zero at \$95,000 (\$200,000 for joint filers).

In the case of married couples who file jointly, at least one spouse must have a valid Social Security number for the couple to qualify for the MWPC.

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

In order to quickly provide the increase in income from this credit to most workers during 2010, the IRS has adjusted the standard withholding tables that employers use to determine how much income tax is withheld from each paycheck. Less income tax is withheld to provide the benefit of the MWPC; as a result workers could get as much as \$50 per month in increased take-home pay in 2010.

Workers who did not get the MWPC in their paychecks during 2010 will need to claim the MWPC as a refund when they do their 2010 taxes. They must complete IRS Schedule M, "Making Work Pay and Government Retiree Credits," and attach it to the tax return. Such workers include:

- ✧ Workers who earned too little to have income tax withheld from their pay;
- ✧ Self-employed workers with net earnings who did not reduce the amount of income tax they paid in their quarterly estimated tax returns (low-income self-employed workers often do not file estimated returns); and
- ✧ Those who earned enough to have income tax withheld by their employer, but didn't work enough weeks in 2010 to receive their full MWPC. These workers can claim the balance of the MWPC as a refund on their 2010 return.

To take advantage of the MWPC, employees do not need to make any adjustments to the number of exemptions they claim, and do not need to give a new Form W-4 “Employee Withholding Allowance Certificate” to their employer. However, some workers may risk owing money back to the IRS and should adjust their withholding on their Form W-4 to prevent the MWPC from being deducted from their paychecks. Such workers include:

- ✧ Workers who are not eligible for the MWPC, such as dependents or those who don’t have a valid SSN. They risk owing additional tax when they file their return if they accept the MWPC increase in their take-home pay.
- ✧ Workers who have more than one job. If the amount of income tax withheld is reduced at each job, they might receive more than \$400 in overall additional take-home pay from the MWPC, and as a consequence would owe additional income tax at the end of the year. Such workers should increase the amount withheld from their paychecks for any additional job they hold or adjust their Form W-4 with their employer if they start a second job later in the year.

## ***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) or [www.icanefile.org](http://www.icanefile.org). 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.





# STATE EARNED INCOME TAX CREDIT

(Tax Year 2010)

## **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 2010 is the third year in which it will be in effect.

## **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 2010 is equal to 20 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 28a of the MI-1040. The filer then multiplies that amount by .20 (20%) and enters that amount on Line 28b.

## **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) or [www.icanefile.org](http://www.icanefile.org). It is written at a fifth-grade literacy level and is available in English and Spanish.
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## **Remember...**

The state EITC is 20 percent of the federal EITC for Tax Year 2010, and is refundable—filers can receive a higher credit than the amount of money they owe in Michigan income tax.

# STATE CHILD DEDUCTION



(Tax Year 2010)

## **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, 2010.

## **How Does It Work?**

A deduction of \$600 can be claimed for each child up to 18 years of age that is claimed as an exemption on the federal tax form.

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

Families must fill in Line 9d on the MI-1040 income tax form. The MI-1040 EZ form cannot be used.

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

Filers should be encouraged to avoid going to commercial preparers for tax services that cost them

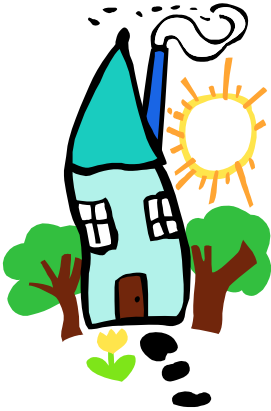
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## **Remember...**

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.

# STATE HOMESTEAD PROPERTY TAX CREDIT



(Tax Year 2010)

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

The **Homestead Property Tax Credit** is a state benefit available to eligible Michigan residents who pay high property taxes or rent, 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 2010;
- ✧ The filer was billed for property taxes or paid 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?***

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) or [www.icanefile.org](http://www.icanefile.org). 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 2010.

# STATE HOME HEATING TAX CREDIT



(Tax Year 2010)

## 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 2010. (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 homestead 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

### 2010 Home Heating Credit Standard Allowance

<i>Your Exemptions</i>	<i>Maximum Credit</i>	<i>Income Limit</i>
0 or 1	\$418	\$11,929
2	\$ 562	\$16,043
3	\$ 706	\$20,158
4	\$ 850	\$24,272
5	\$ 994	\$28,387
6	\$1,138	\$32,500
	+ \$144 for each exemption over 6	+\$4,114 for each exemption over 6

Table B

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

<i>Your Exemptions (from line 11.i)</i>	<i>Maximum Income</i>
0 or 1	\$12,691
2	\$17,078
3	\$21,469
4 or more	\$22,782

## 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 taxpayer;
- ✧ 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 outstanding 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) or [www.icanefile.org](http://www.icanefile.org). 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 2010. Applications (MI-1040CR-7) can be filed as early as January 1, 2011 for tax year 2010, but filers must file before September 30, 2011.