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FILING TAXES AND CLAIMING CASH BACK CREDITS: THE CALIFORNIA EARNED INCOME TAX CREDIT (CALEITC) GUIDE FOR TRANSITION-AGE YOUTH

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Step 1: Learn About the CalEITC

Introduction

It is now much easier for young adults to receive cash back after filing taxes with the California Earned Income Tax Credit, also known as the CalEITC. Prior to 2018, California residents had to be 25-64 years of age to qualify for CalEITC, unless they had children. Beginning in the 2018 tax year, a California resident aged 18 years and older may qualify to receive the CalEITC, regardless of whether they have children. This legislative shift has the potential to have significant positive benefits for the almost 3,800,000 18- to 24-year-olds who live in California, many of whom will qualify based on their income. The positive benefits will only be realized if transition-age youth claim the tax credit when filing a state tax return.

CalEITC has already helped many low-income Californians. In its first year, the CalEITC boosted the income of about 385,000 families, who shared almost \$200 million from the cashback credit. In 2019, more than 2 million people claimed the credit, totaling close to \$395 million. Though this amount is spread across many residents, low-income adults can benefit most significantly from this money because the credit can boost their income significantly.

Recently, the budget for the CalEITC was expanded. This expansion made changes like raising the maximum income eligibility to \$30,000 and increasing the maximum credit to \$3,027. It also added a Young Child Tax Credit (YCTC), which is an additional credit of up to \$1,000 for tax filers who meet CalEITC requirements and have a child under the age of 6. This credit kicks in with the first dollar a parent makes. Starting in the 2020 tax year, qualifying tax filers under age 18 with children under the age of 6 qualify. On September 18, 2020, Governor Newsom signed Assembly Bill 1876 further expanding access to the CalEITC to undocumented Individual Tax Identification Number (ITIN) filers who may now qualify for the CalEITC and the Young Child Tax Credit (YCTC). Filing taxes this year will help ensure transition-age youth also receive their federal stimulus checks from the IRS.

Certain populations of transition-age youth are particularly likely to benefit from the CalEITC. These include the approximately 8,905 youth in foster care between the ages of 18 and 21, approximately 900 of whom are custodial parents. California's college students, including undocumented students, are also likely to benefit from the expanded CalEITC together with youth involved in the juvenile probation system, homeless youth, and low-income young adults generally.



Not only does the CalEITC provide essential supplemental income, but it may also have positive health effects. Studies have shown that the federal EITC has positive effects on infant birth weight, maternal smoking, self-reported health, obesity, insurance coverage, and medical care. Thus, increasing the number of transition-age youth who claim the CalEITC may also improve the health outcomes and quality of life of its recipients.

Step 1: Learn About the CalEITC



What is the Earned Income Tax Credit (EITC)? There is a federal EITC and a state EITC.

FEDERAL If you have a qualifying child, a Social Security Number, an income of at least \$1, and an income below a specified threshold that varies depending on your filing status, you may qualify for the federal EITC. To determine if you are below that specified threshold, visit the Internal Revenue Service (IRS) website on EITC qualification [\[see Appendix 1\]](#).

If you do not have a qualifying child, you must be at least age 25 but under age 65 at the end of the calendar year, and also not be claimed as another person's qualifying child or dependent, in order to claim the federal EITC.

If you are eligible for the federal EITC, the maximum amount of credit you could get from the federal EITC ranges from \$538 to \$6,660, depending on the number of qualifying children that you have.

STATE: CALIFORNIA In California, this is called the CalEITC.

As of the 2020 tax year, you may qualify for the CalEITC if you:

- are 18 or older at the end of the tax year
- under age 18 with qualifying children
- have an income of at least \$1
- have a Social Security Number or Individual Tax Identification Number (ITIN)
- live in California for more than half of the tax year, and
- have an income of \$30,000 or less

You can see how much you will receive from the CalEITC by visiting the CalEITC website [\[see Appendix 2\]](#).

Parents who have at least one child younger than age 6 as of December 31, 2020 can claim an additional \$1,000 through the Young Child Tax Credit (YCTC).

Review the chart below to see if you may be eligible and how much you may qualify for when filing your 2020 tax return.

NUMBER OF CHILDREN	STATE			FEDERAL	
	MAXIMUM INCOME	CAL EITC (UP TO)	YOUNG CHILD TAX CREDIT (FOR PARENTS WITH CHILDREN YOUNGER THAN SIX IN 2020)	MAXIMUM INCOME	FEDERAL EITC (UP TO)
None	\$30,000	\$243	\$0	\$15,820	\$538
1	\$30,000	\$1,626	\$1,000	\$41,756	\$3,584
2	\$30,000	\$2,691	\$1,000	\$47,440	\$5,920
3 or more	\$30,000	\$3,027	\$1,000	\$50,954	\$6,660

Step 2: Do I Need to File Taxes?

General Tax Information

If your income is above a certain threshold, you need to file both state and federal income taxes. The threshold depends on your age and filing status, but ranges from as low as \$12,200, to as high as \$24,440. To find out if you are required to file federal taxes, visit the IRS website [\[see Appendix 3\]](#). To find out if you need to file state taxes, visit the California Franchise Tax Board website [\[see Appendix 4\]](#).

If your income does not meet that threshold, but is greater than \$1, you should still consider filing taxes because you may receive money from the government. When you file your taxes, the government analyzes your finances and determines if you are eligible for a tax deduction, or a tax credit. A tax deduction lowers your taxable income, but will not lower what you owe in taxes below zero.

A tax credit reduces the amount of money that you owe to the government. Tax credits can be either nonrefundable, or refundable. Nonrefundable tax credits reduce how much tax you might owe to as low as \$0. Refundable tax credits mean that you can receive cash payments up to the value of the tax credit. If the amount of tax credit that you receive from the government is greater than what you owe, then the difference is paid to you! The EITC is an example of a refundable tax credit that can put cash into your pocket.

Once you file your taxes, you are eligible for a tax refund. You can receive it electronically, or through a check. You can choose which method you would like to use to receive the money. While a paper check costs \$1, electronic deposits only cost \$0.10, and you will receive the money more quickly electronically. Usually, you will receive a tax refund electronically within 10 days. If you want to get a tax refund instantly, you can do so. However, in order to receive an instant tax refund, you must file your taxes through a tax preparation service. To receive a tax refund instantly, you are actually taking out a short-term loan, so it is usually accompanied by an interest rate that is set by that tax preparation service. Some interest rates are 0%, but then you must pay a fee to the tax filing services. Other interest rates can be as high as 100%, so getting the tax refund instantly means you will receive less money back due to the fees you pay to the tax preparing service. While receiving your refund immediately is convenient, this practice is not recommended because of the costs.



Step 3: Prepare to File Your Taxes

Checklist for How to File for the CalEITC

In order to get the CalEITC, you have to file your taxes. John Burton Advocates for Youth (JBAY) has created a worksheet to help walk you through what you need [Appendix 5]. Gathering the information below will help you file your taxes with confidence:

Personal Information:

- ☐ A government ID, driver's license, CA ID or passport
- ☐ Your Social Security Number, your spouse's Social Security Number if you are married, and the Social Security Numbers of any dependents that you are going to declare, or your Individual Taxpayer Identification Number
- ☐ If you have a bank account, the account and routing numbers
- ☐ Last year's tax return if you have it

Income and Earning Tax Documents from Your Work:

Throughout the year, keep all forms related to income that will help you file your taxes. These include:

- ☐ W-2 tax forms from full-time or part-time jobs
- ☐ 1099 from contract, freelance or self-employed work
- ☐ 1099-G if you received unemployment payments
- ☐ Other types of income, including those from investments, previous year's tax refunds, business, unemployment, Social Security, jury duty and/or lottery winnings. These may be rare for transition-age youth, but there are tax forms you will get if you receive these types of income.

Reduce How Much You Owe with Tax Deductions:

Throughout the year, also collect any information and keep receipts that may help you owe less and get more cash back in your refund. These include:

- ☐ Student educational expenses, interest payments on student loans, retirement contributions, donations to charity, classroom expenses, interest paid on your mortgage, expenses related to moving, self-employed health insurance payments or very costly medical or prescription costs.

Schedule a Free Tax Prep Appointment or File for Free Online:

Sometime between January 28 and April 15, file your taxes. If you earned less than \$57,000 you qualify for free tax help. You should file both state and federal taxes. If you are filing online, you have to file your federal taxes before or at the same time as your state taxes. In other words, in order to file your taxes and qualify for the CalEITC online, you have to have already filed your federal taxes online. You can do so either on your own, or with the help of a free tax preparation service. Paying for tax services is not recommended if you do not have to.

After your taxes have been filed, you will automatically have your tax liability (how much you owe) reduced by the CalEITC, or receive a cash back refund.

TIP Try to keep anything that relates to your income or payments throughout the whole year in one folder or location. These include your pay stubs, W-2, financial aid award letters, and tax forms or returns from the previous year.

Create a file that you can keep with you all year and keep all of these important forms in one place!



WHAT IF I DON'T KNOW MY SOCIAL SECURITY NUMBER?

In order to file your taxes, you must have either a Social Security Number (SSN) or an Individual Taxpayer Identification Number (ITIN). United States citizens, temporary working residents, and permanent residents are eligible for a Social Security Number. If you have a Social Security Number, but you do not know what it is or have forgotten it, go to your local Social Security office. Bring with you as many legal identity documents as you currently have. These may include a passport, birth certificate, driver's license, marriage license, or official name change order.

If you do not have a Social Security Number and are not eligible for one, you may use an Individual Taxpayer Identification Number to file your taxes. In order to receive an Individual Taxpayer Identification Number, call the IRS at 1-800-829-1040 and they will give one to you.

Individuals who were in foster care should be provided this prior to exiting care. If they were not, they should contact their social worker, dependency attorney, or the California Foster Care Ombudsperson's office 1-877-846-1602 or fosteryouthhelp@dss.ca.gov.

Step 3: Prepare to File Your Taxes

WHAT IS A W2 AND WHAT IF I DON'T HAVE ONE?

A W-2 is a form that your workplace sends to you on or before January 31. The form outlines your income from that workplace, and the amount of taxes that have already been withheld from your paycheck. You should receive a W-2 from any employer that you worked for, for more than one hour in the past year.

If you lost your W-2 or did not receive a W-2 from your workplace, contact your employer to see if they can send you one. Calling the human resource department, if your workplace has one, is a good place to start. You can ask for the form electronically, so it will be delivered to you immediately. If you are not able to reach your employer, or if they decline to give you a W-2, call the IRS at 1-800-829-1040, and then send in the Form 4852, which is a substitute for your W-2 form. To fill out this form, use information from your last paystub.

WHAT IS A 1099 AND WHAT IF I DON'T HAVE ONE?

A 1099 is a form that reports any income that was not on your W-2. This can be income from self-employed jobs, government payments, contract or freelance work, dividends, or interest. You should receive 1099 forms from whoever is paying you for the work or whatever company is responsible for your investment funds, if they have paid you \$600 or more during the tax year. State and federal taxes are not already withheld when you receive payments through these types of methods, so you need to make sure to pay self-employment tax payments quarterly. 1099 income counts for both the federal EITC and the CalEITC.

If you have earned more than \$600 as a contractor and have not been sent a 1099, you can file taxes without one. The 1099 form simply helps you determine how much to report. If you would like help completing a 1099 form, you can call the IRS at 1-800-829-1040.

ALEXIS'S STORY: "I am a former foster youth, and currently a youth advocate. I got my first job when I was 14, and I've been employed ever since then.

A lot of the jobs that I've had were contract work, so I was trying to file my taxes with 1099's. I didn't understand that process, so I got into tax debt, and just last year, I had to file for bankruptcy.

With the additional tax credits from the expanded CalEITC, I probably wouldn't be in debt right now, or at least in a lot less debt."

TIP If you are self-employed and receiving 1099 forms like Alexis was, keep track of your work expenses and include those expenses when you file your taxes. Expenses for your home office space, health insurance, educational, conference, or fees related to your career, car and travel expenses, phone, internet, business meals, advertising that you paid for out of your money can reduce what you owe in taxes and increase your refund. Learn more here: <https://www.nerdwallet.com/article/taxes/self-employment-tax-deductions>

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0118	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		2021 Form 1099-NEC Nonemployee Compensation	
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation	
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	
Street address (including apt. no.)		3	
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld	
Account number (see instructions)		5 State tax withheld	6 State/Payer's state no.
Form 1099-NEC (keep for your records)		7 State income	
a Employee's social security number		OMB No. 1545-0008	
b Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld
d Control number		5 Medicare wages and tips	6 Medicare tax withheld
e Employee's first name and initial		7 Social security tips	8 Allocated tips
Last name		9	10 Dependent care benefits
Suff.		11 Nonqualified plans	12a
f Employee's address and ZIP code		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b
15 State Employer's state ID number		14 Other	12c
16 State wages, tips, etc.			12d
17 State income tax		18 Local wages, tips, etc.	
19 Local income tax		20 Locality name	
Form W-2 Wage and Tax Statement Copy 1—For State, City, or Local Tax Department			
2021 Department of the Treasury—Internal Revenue Service			



Step 4: File Your Taxes

Schedule
your FREE
tax appointment
and file with
confidence!

Free Tax Preparation Help

There are many ways to file your taxes for free. If your income is less than \$72,000 per year, look into using TurboTax's free tax help service. TurboTax is great because you can file both your federal and state taxes for free and online. To file through the TurboTax Free File Program, visit their website [see Appendix 6]. Just make sure to use the "free file link" and not the "paid tax service link."

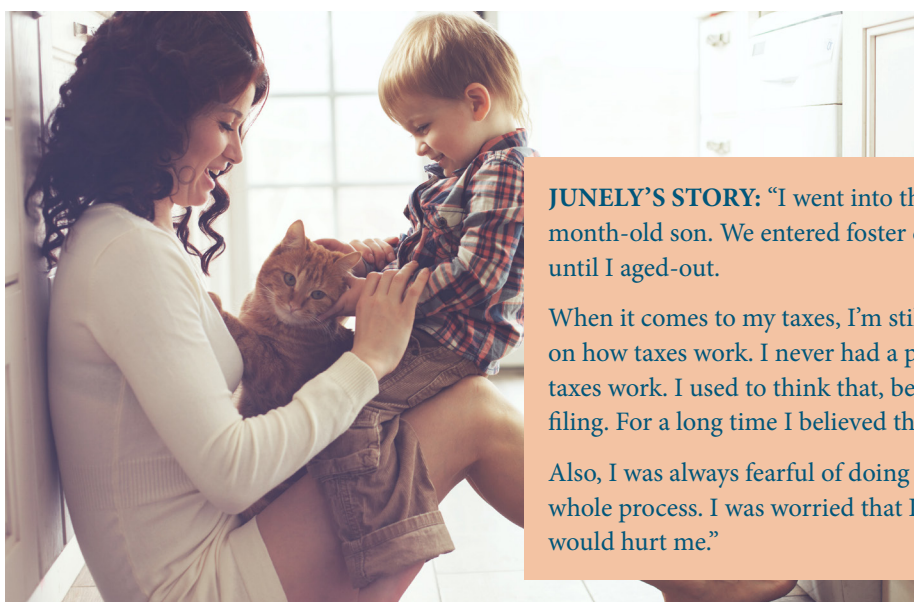
If you would like assistance filing your taxes and you make \$57,000 or less, you can file your federal and state taxes for free in person at a Volunteer Income Tax Assistance (VITA) program site. VITA offices open throughout the country each year on February 1st. To find a VITA office near you, call 1-800-906-9887 or use the VITA Locator Tool [see Appendix 7]. Due to the coronavirus pandemic some appointments may be virtual, drop-off, or in-person following safety guidelines.

You can also file your taxes with the IRS Free File software online if your income is below \$72,000, but this service only helps with federal taxes. CalFile can help you file your state taxes online and for free if your income is up to \$194,504 and your filing status is single or married/registered domestic partnership filing separately. You can use these two services, but you will have to use both in order to file both your federal and state taxes.

[CreditKarma.com/Tax](https://www.creditkarma.com/Tax), [ezTaxReturn.com](https://www.eztaxreturn.com), [UDStax.com](https://www.udstax.com) all offer some combination of free tax services as well. You can call 2-1-1, or visit myfreetaxes.org to explore other free, tax assistance services that are right for you.

What Is Considered Reportable Income, and What Isn't?

For both federal and state taxes, taxable income includes salary, tips, and vacation and sick pay. Federally, unemployment and disability are taxable, whereas child support is not taxable. For California state taxes, Social Security, unemployment, CalWORKs, CalFresh payments, foster care payments, welfare payments, Social Security benefits, disability, and state income tax refunds are not taxable. Do not include these payments as part of your income and earnings when you file your taxes.



JUNELY'S STORY: "I went into the foster care system at the age of 15 with my one-month-old son. We entered foster care together, and were in the foster care system until I aged-out.

When it comes to my taxes, I'm still learning. The number one issue is being ignorant on how taxes work. I never had a parent or a caring adult in my life to teach me how taxes work. I used to think that, because I don't really earn much, there is no point in filing. For a long time I believed that, so I didn't file taxes for years.

Also, I was always fearful of doing my taxes by myself, and felt overwhelmed by the whole process. I was worried that I would document the wrong information and it would hurt me."

AFRAID OF FILING YOUR TAXES?

For many people, the process of filing taxes can be intimidating. This is particularly true for young adults who may not have support in organizing their paperwork, maintaining personal documents and learning about the process. It is important to support young adults to be successful in this process, both to provide them with access to the CalEITC and to ensure they avoid a penalty.

If your income is above the tax filing threshold, and you don't file your taxes or you miss the April 15 deadline, the IRS will begin to penalize you financially. You will first be fined with a failure-to-file penalty, which starts at 5% of what you owe, and can increase to as much as 25% of your tax liability. Sixty days after the deadline, you may be penalized with a charge that is 100% of your tax bill. So, even though taxes can be a pain, it is in your best interest to file on both a federal and a state level.

If you get paid cash "under the table," you should still file taxes. You can do so under "Schedule C" on one of the 1040 forms. However, any income used to claim the CalEITC must come from eligible sources, such as W-2 wages and self-employment income.

Take a moment to find a free tax appointment near you by entering your zip code here and calling to set an appointment: <https://irs.treasury.gov/freetaxprep/> [see Appendix 7]. Many places allow for drop-off or virtual tax filing appointments due to Covid-19 safety considerations.

Step 4: File Your Taxes

Not Sure if the Benefit Is Worth the Hassle?

Here are some facts that might help you feel more inclined to file your taxes.

There are many potential benefits of filing your taxes!

Cash in your pocket: Between both the state and federal EITCs, a taxpayer can receive more than \$8,000 total, depending upon income, the number of children, and other factors. For the CalEITC, the average amount that taxpayers received from the state during tax year 2018 was \$191. Some people received as much as \$2,879 from the CalEITC. In addition to receiving the CalEITC tax credit, filing your taxes may help you receive tax refunds and credits from the federal government, prevent future tax liabilities, and earn additional benefits from state taxes. Together these tax credits can sum to thousands of dollars.

Renter's credit: If you were a California resident for the entire year, paid rent for at least half of the year, and were not living with a parent or foster parent or legal guardian, you may qualify for the renter's credit. The renter's credit is either a \$60 credit for single renters whose incomes fall below \$42,932, or a \$120 credit for married/registered domestic partner taxpayers who file together and whose incomes fall below \$85,864.

Child/dependent care credits: If you have an income below \$100,000 per year, are the parent of a child under the age of 13 and paid for that child's care, or if you paid for the care of a spouse or another dependent, you may also qualify for child/dependent care credits. To see if you qualify for the child/dependent care credit, visit the California Franchise Tax Board website about Child and Dependent Care credits [\[see Appendix 8\]](#).

Joint custody head of household credit: If you are unmarried, have a qualifying child, and paid to furnish more than one-half of a home of a child, step-child, or grandchild who lived in your home for between 146 and 219 days of that year, you may qualify for the joint custody head of household credit. The joint custody head of household credit is up to \$469.

Dependent parent credit: If you are married at the end of the tax year and your partner is not a member of your household for at least half of the year, and you paid to furnish more than half of a home for your mother or father who is a dependent, then you may qualify for the dependent parent credit. This credit is up to \$469.

Claim past refunds: You can make changes to your state tax returns up to three years prior. If you didn't claim the CalEITC or other possible credits on your previous tax returns, you can still do so, and that credit will further compound. To change your California tax returns from prior years, visit the CalEITC's website on amending a tax return [\[see Appendix 9\]](#).

Recovery Rebate Credit in 2021: If you didn't get the full amount of the Economic Impact Payment (Stimulus) in 2020—\$1,200 for individuals or \$2,400 if married filing jointly, plus \$500 for each qualifying child—you may be eligible for a Recovery Rebate Credit when you file your 2020 Form 1040

2021 Economic Impact Payment (Stimulus): Qualifying individuals and children will receive \$600 stimulus payment from the IRS. Filing taxes ensures the IRS has your current address and banking information to receive your stimulus check.

XAVIER'S STORY: "As a former foster youth, it would have been extremely beneficial if I had more money, but I had no clue how to file my taxes. Even after I did research about it, it was still kind of hard. I probably missed out on a lot of money.

And there were times when I was trying to work my way up. I was being careful about the money that I had, but I had to think about food, rent, PG&E, cell phone bills.

At the end of the day, I didn't have enough to cover all of those expenses, and also invest in my future professionally. Additionally, money would have helped me do that—I could have covered my expenses and also invested in my professional future."



Step 4: File Your Taxes

Specific Circumstances

How to claim the CalEITC if you are an immigrant

To claim the CalEITC, you must have lived in the United States for more than half of the last tax year and have either a Social Security Number or an Individual Taxpayer Identification Number. ITIN filers will be eligible to receive up to \$2,982 for the CalEITC and up to \$1,000 for the Young Child Tax Credit.

Financial aid, student loans, and the EITC

If you are a student, there are a few different documents that can help you navigate the tax-filing process. In this section, we help break down a couple of those important forms for you.

First, you should receive a tax form called 1098-T, which gives you information on what you paid for your education, what you still owe, and any scholarships granted. An example of the 1098-T is below:

<input type="checkbox"/> CORRECTED		OMB No. 1545-1574		Tuition Statement
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses	2	
		\$	\$	Copy B For Student This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
FILER'S employer identification no. STUDENT'S TIN		3 If this box is checked, your educational institution changed its reporting method for 2018 <input type="checkbox"/>	4 Adjustments made for a prior year	
STUDENT'S name		\$	\$	
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year	7 Checked if the amount in box 1 includes amounts for an academic period beginning January—March 2019 <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code		\$	\$	
Service Provider/Acct. No. (see instr.)		8 Check if at least half-time student <input type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund <input type="checkbox"/>
Form 1098-T (keep for your records)		www.irs.gov/Form1098T		Department of the Treasury - Internal Revenue Service

Make sure to take a look at Sections 1, 2, and 5. Section 1 will list the amount that you have paid for tuition and expenses. This amount has not been reduced by any scholarships or grants that have been awarded to you. Section 2 will list the total amount of tuition and fees charged to you. Section 5 will list the total of all scholarships and grants that you have received.

Second, your financial aid award letter will also break down your cost of attendance (COA). These forms will help you determine what needs to be reported on your taxes, and estimate your fees, room and board, books, school supplies, and tuition. If you are not able to find this information on your financial aid letter, contact your school's financial aid office. Income that is not taxable includes the parts of Pell Grants that are used for tuition, school fees, books, or school expenses. Parts of Pell Grants that are taxable include money used to pay for room and board or transportation. If the amount of the grant is greater than the amount of fees, then the difference between the grant amount and the school fees is taxable income. Scholarships from the state are also taxable, as is money earned from work-study.

ANOTHER IMPORTANT REASON TO FILE TAXES IF YOU ARE A COLLEGE STUDENT:

Filing taxes makes it easier to fill out your financial aid applications. If a student has filed taxes, their income can be automatically uploaded from the IRS into their FAFSA or CA Dream Act application so that they do not have to manually enter their financial information. Manually entering financial information into the financial aid applications can be time consuming and lead to errors.

Additionally, if you do not file your taxes, you may be asked to demonstrate proof that you are a non-filer from the IRS. If you attempt to obtain proof of non-filing status, and are not able to do so, you may instead sign a statement that you attempted to obtain verification of non-filer status. However, the IRS has discretion to determine if your attempt was sufficient. Documentation to prove that students did not file taxes must be gathered in a timely manner, or else it may delay the financial aid process and the receipt of your financial aid money.

KISTA'S STORY: "A lot of youth my age have financial support from their family because it's pretty hard for anybody to make it income-wise on their own. I don't really have that secure feeling though. I'm in a pretty stable home now with my mentor, but I was in foster care from the age of 15, up until a month before I turned 18.

Having any extra money from a tax refund during that time would have been helpful, mostly just to make it through school. It helps you stay motivated to finish school, and also just helps you make sure that you have something to eat."

Step 4: File Your Taxes

Additionally, if your income is less than \$70,000 per year, you can deduct (reduce) up to \$2,500 of student loan interest per year from what you owe in taxes. A deductible student loan can come from many sources, including your family or an employer, but it has to be used for education expenses only to qualify for the deduction. You must also be enrolled in school either part- or full-time in order to qualify for this deduction.

Lastly, if you receive the CalEITC, that money is taxable, but it does not impact your eligibility for financial aid. When completing the Free Application for Federal Student Aid (FAFSA), if you filed taxes, you can use the IRS Data Retrieval Tool. This tool is found on fafsa.gov and will help you find information on your taxes that you will need for the FAFSA. If you did not file taxes, you should complete the FAFSA application with estimated income and tax information. Once you complete your taxes, you must then go back and correct the pending FAFSA application with accurate information.

TAXES AND FINANCIAL AID

Brenda is a student at UC Berkeley. She receives financial aid, and is getting ready to file her taxes, but she wonders, which parts of the financial aid are taxable, and which parts are not? Her financial aid award letter looks like this:

My UC Berkeley Costs	
Books and Supplies	\$1,230.00
Tuition and Fees	\$12,972.00
Living Expenses	\$17,966.00
Total UC Berkeley Costs	\$32,168.00
My Gift Aid	\$24,261.00
My Net Cost	\$7,907.00
Parents Share	\$0.00
Students Share	\$7,907.00
Total Resources to Meet My Net Costs	\$7,907.00
Total Resources to Meet My UC Berkeley Costs	\$32,168.00

Summary of Contributions	
Student Contribution	\$40.00
Parent Contribution	\$1,057.00
Expected Family Contribution	\$1,097.00

For Brenda, the amounts listed under “books and supplies” and under “tuition and fees” are not taxable, whereas the amounts listed under “living expenses” are taxable income. The amount of taxable income is calculated by taking My Gift Aid subtracted by the cost of Tuition and Fees and subtracted by the cost of Books and Supplies. For Brenda that means $\$24,261 - \$12,972 - \$1,230 = \$10,059$.

Make sure to enter this correctly when filing your taxes so you can get the largest reduction. A common error is to enter the full financial aid amount making it seem like the student is receiving more money for their living expenses and that can be taxed. If students do not make this calculation they may pay too much in taxes or not receive as large of a cash back refund.

How to Correctly Enter Student Financial Aid Tax Information	
My Gift Aid	\$24, 261
Minus Tuition and Fees	-\$12,972
Minus Books and Supplies	-\$1,230
Total to Enter When Filing Taxes	\$10,059

Step 4: File Your Taxes

How to file taxes if you are homeless, don't have a bank account, and/or don't have an address

You do not need a permanent address, or a bank account, in order to file taxes or claim a tax credit. If you do not have an address, you can use a health care clinic, shelter, or drop-in center's address as your permanent address, as long as that organization has given you permission to do so.

If you do not have a bank account, there are a couple ways to receive the tax refund. If the tax refund comes as a check, bring the check to Walmart, along with an ID. Walmart will cash the check for you. Alternatively, you can ask for the tax refund in the form of a prepaid debit card instead of in the form of a check. To do so, order a prepaid debit card, which you can receive in the mail in 5-7 business days. If you do not have an address, ask a health care clinic, shelter, or drop-in center if the debit card can be sent to their address. Once you have the card, you will see that the card comes with a routing and an account number. On your tax forms, use the card's routing and account numbers to request that the refund be deposited onto that prepaid debit card.

How to file taxes if you are in juvenile hall

You can file your taxes if you are in juvenile hall. A friend, social worker, lawyer, or family member can bring the required tax forms (Form 1040 for federal taxes, Form 540 for CA state income taxes) for you to fill out. Alternatively, you can file for a tax extension, which is Form 4868 for federal taxes and Form 3519 for California taxes. This form is due by April 15, and may extend your tax filing deadline to October 15. Any wages earned while incarcerated or on work release are not income that can be considered earned income for the EITC. Having a conviction on your record does not affect your ability to claim the CalEITC.

How to tell if someone is claiming you as a dependent and you are over 18 years old

Someone can legally claim you as a dependent, even if you are over 18, in a couple of different ways. If you are the taxpayer's child, a full-time college student under the age of 24, and receiving more than half of your financial support from that taxpayer, you can be considered a dependent. If you are not that taxpayer's child, but you live with that taxpayer for the whole year, made less than \$4,300 that year, received more than half of your financial support from that taxpayer, and are either the stepchild, foster child, grandchild, adopted child, brother, sister, half brother or sister, step brother or sister, parent, grandparent, stepfather, stepmother, niece, nephew, aunt, uncle, or child-parent-, or sibling-in-law of the taxpayer, then you can be claimed as a dependent.

To find out if someone has claimed you as a dependent, the first step is to file your taxes electronically. If someone claimed you as a dependent, the IRS will decline your return. The IRS does not accept a tax return from someone who has already been claimed as a dependent on another tax return. You will not have to pay a fee. Next, file your taxes by mail. The IRS will begin investigating. You will receive a letter in the mail from the IRS that asks for more information, and so will the other tax filer. The IRS will not tell you who claimed you as a dependent, but one of you will need to amend your tax return. If fraud is found, then there are penalties that result for the fraudulent party.

If you think that someone is claiming you as a dependent that should not be legally doing so, call the IRS Identity Theft hotline number at 1-800-908-4490.

ELIZABETH'S STORY: "I come from a family of alcoholics, criminals and gang members. I'm a survivor of human trafficking, and before, I was living on the streets, using drugs, getting arrested. I was filing taxes on my own back then, but it was pretty hard. I didn't know what I was doing.

Now, I'm trying to break that cycle. I got married, I'm about to get my degree, and I'll be the first person in my family to graduate. I file taxes with my husband, so now it's much easier to figure out.

Back then though, additional income from tax credits would have been very helpful to me. I could have used the income for food instead of just doing anything that I could to survive."



Step 4: File Your Taxes / Step 5: Get Your Tax Refund

What filing status to use if you are in foster care or living in a transitional housing program

Young adults in foster care have 5 possible statuses to select when filing their taxes.

- 1. Single head of household:** Option 1 is a single head of household. In order to file as a head of household, you must be unmarried, have paid more than half of the cost of keeping up a home for a year, and have a qualifying dependent person live with you for more than half of the year. The only exception to the qualifying dependent person rule is, if the qualifying dependent person is your parent, the parent does not have to live with you for at least half of the year.
- 2. Married filing jointly:** Option 2 is filing as married filing jointly, which is for married couples who turn in a combined tax return.
- 3. Married filing separately:** Option 3 is filing as married filing separately, which is for married couples who usually have very large incomes or tax deductions from charity donations.
- 4. Qualifying widow(er) with dependent children:** Option 4 is filing as a qualifying widow(er) with dependent children, which is for those whose spouses have died and they have not remarried, but live with a dependent.
- 5. Single:** Option 5 is filing as single. If you do not qualify for any of the other possible tax filing categories, you should file as single. This is the most common for transition age youth who are filing their taxes.

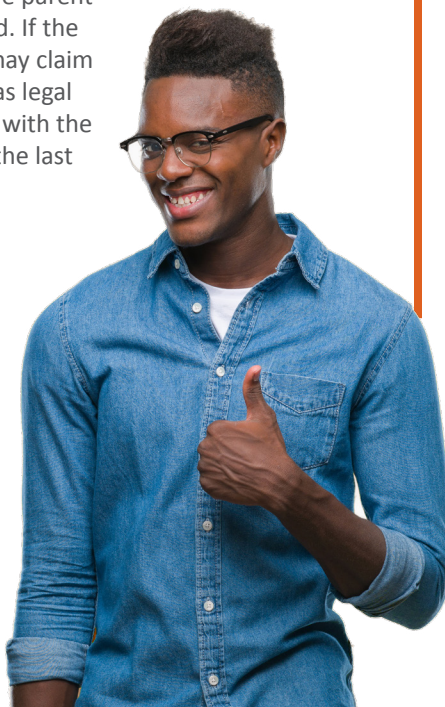
How to file taxes if you share custody of a child with another person

For both federal and state taxes, only one of the parents can claim the tax benefits relating to the child. The person who claims the child must be the custodial parent. To be the custodial parent, the parent must have the child living with them for more than six months of the year. If the amount of time that the child lived with the two parents is split equally over the last year, then the parent with the highest gross income can claim the child. If the child does not live with parents, then a person may claim tax benefits relating to the child if that person has legal guardianship over the child and if the child lived with the claiming adult for more than half of the days of the last tax year.

Step 5: Get Your Tax Refund

You did it!

You followed all of the steps and received your tax refund!



DO YOU RECEIVE FOSTER CARE OR OTHER GOVERNMENT PAYMENTS?

Monthly Foster Care and Infant Supplement Payments are NOT counted as taxable income. Do not include these when you file your taxes. Young adults in foster care (ages 18-21) may live in Supervised Independent Living Placement (SILP) or Transitional Housing Placement for Non-Minor Dependents (THP-NMD).

A SILP is a placement in which the youth lives independently and receives financial support in the form of monthly payments from the county child welfare agency and ongoing contact with a social worker or a probation officer. The monthly SILP payment is not counted as income according to the IRS and should not be included on your taxes as income.

THP-NMD is a placement in which the youth lives semi-independently and receives supportive services, such as case management, from a housing provider. A youth living in THP-NMD will receive monthly stipends from their housing provider to assist with monthly expenses not covered by the provider and to support their development of healthy living and life skills. This monthly foster care payment is not counted as income according to the IRS and should not be included on your taxes as income.

Parenting youth receive a monthly infant supplement payment. The infant supplement is not counted as income because it is a foster care maintenance payment. These are payments to cover the costs of items such as food, clothing, shelter, daily supervision, and a child's personal incidentals.

Glossary of Terms

CalEITC: California's state Earned Income Tax Credit

California Franchise Tax Board: the state tax collection department

COA: cost of attendance, total amount that it costs to attend college in a year. Items include school tuition, books, transportation, room and board

DACA: Deferred Action for Childhood Arrivals

EITC: Earned Income Tax Credit

FAFSA: Free Application for Federal Student Aid

Form 540: form for California state income taxes

Forms 1040, 1040A, 1040EZ: the three types of US individual income tax return forms

Form 1098-T: form generated by schools that documents payments remaining and received from students

Form 1099: form used to report income other than wages, salaries and tips. These other types of income include money from independent contracts, income from rental properties etc.

Form 1099-G: unemployment payments

Form 3519: form that allows for state tax filing extension

Form 4852: form that is a substitute for your W-2 if your workplace refuses to provide you with one

Form 4868: form that allows for federal tax filing extension

IRS: Internal Revenue Service, the US tax collection department

ITIN: Individual Taxpayer Identification Number

Pell Grants: federal grants given to students from the government to pay for college

SILP: Supervised Independent Living Placement

SSN: Social Security Number

Tax Credit: reduces amount of money you owe the government and some are refundable, putting cash back into your pockets

Tax Deduction: lowers your taxable income

THP-NMD: Transitional Housing Placement for Non-Minor Dependents

THP-Plus: Transitional Housing Placement Plus

VITA: Volunteer Income Tax Assistance program, offers free tax help to people who make less than \$50,000, disabled persons, or people with limited knowledge of English

W-2: form used to report income from salary, wages, and tips

YCTC: Young Child Tax Credit

Appendix

1. This IRS website outlines whether or not you qualify for the federal EITC. <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/do-i-qualify-for-earned-income-tax-credit-eitc>
2. This CalEITC website provides information on CalEITC eligibility and how much you could receive as a credit. <http://caleitc4me.org/earn-it/>
3. This IRS website details whether or not you need to file federal taxes. <https://www.irs.gov/help/ita/do-i-need-to-file-a-tax-return>
4. This California Franchise Tax Board website details whether or not you need to file California state taxes. <https://www.ftb.ca.gov/individuals/fileRtn/index.shtml>
5. John Burton Advocates for Youth (JBAY) has created a checklist to help you prepare to file your taxes. <https://www.jbaforyouth.org/wp-content/uploads/2021/01/TAY-tax-prep-checklist-.pdf>
6. Free tax filing online is offered by several services. If you use TurboTax, be sure to use this link <https://turbotax.intuit.com/taxfreedom>, not their paid service that charges fees. Other free services include [CreditKarma.com/Tax](https://www.creditkarma.com/Tax), [ezTaxReturn.com](https://www.eztaxreturn.com), and [UDStax.com](https://www.udstax.com).
7. Set up your free tax appointment using this IRS website that provides locations of the nearest VITA sites to receive free tax preparation help. <https://irs.treasury.gov/freetaxprep/>
8. This CalEITC website helps you determine if you qualify for the state Child and Dependent Care Credit. <https://www.eitcoutreach.org/tax-credits/care-credit/>
9. This Franchise Tax Board website shows you how to amend previous tax returns if you believe you may qualify for additional credits from previous tax years. <https://www.ftb.ca.gov/file/after-you-file/amend-a-return/index.html>

IMPORTANT PHONE NUMBERS

CA Foster Care Ombudsperson (fosteryouthhelp@dss.ca.gov)	1-877-846-1602
IRS	1-800-829-1040
IRS Identity Theft Hotline	1-800-908-4490
VITA (Volunteer Income Tax Assistance)	1-800-906-9887



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