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HOW TAX FILING BENEFITS FOSTER YOUTH

NINE THINGS EVERY FOSTER YOUTH AND THEIR ADULT SUPPORTERS SHOULD KNOW



DECREASES POVERTY

Assisting foster youth with completing their taxes provides them much-needed financial support, **increasing annual income by 42% for foster youth tax filers with a dependent and 14% for single filers.**¹ This income can help youth maintain their housing, school enrollment, food security and more.



ENSURES ACCESS TO TAX BENEFIT PROGRAMS

Assisting foster youth with filing their taxes ensures that they receive the full range of ongoing state and federal income support programs as well as one-time benefit programs, such as those provided during the pandemic. **A 2021 report found that 60% of foster youth had not received these relief payments** because they had not filed their taxes.²



SUPPORTS PARENTING FOSTER YOUTH AND THEIR CHILDREN

Children of foster youth are at a heightened risk of maltreatment.³ Assisting foster youth with filing their taxes reduces this risk by moving parenting foster youth out of deep poverty and **providing critically needed financial support to their children.**⁴



INCREASES ACCESS TO STUDENT FINANCIAL AID

All recipients of student financial aid must provide their tax return or an IRS Verification of Non-filing Letter. For foster youth who don't file their taxes, obtaining the required documentation is difficult. Most must complete time-consuming paperwork. **Having a completed tax return helps foster youth complete financial aid applications online.**



MAINTAINS ELIGIBILITY FOR PUBLIC BENEFITS

The income gained from federal and state tax returns **does not impact eligibility for other public benefits** like CalWORKS and subsidized childcare. Public benefit programs have clearly established policies about how to treat income from tax returns and tax credits. Additionally, a completed tax return can make applying for these benefits simpler.



ESTABLISHES OFFICIAL INCOME FOR BENEFITS DETERMINATION

Programs such as CalWORKS and CalFresh require an individual to provide annual income, to determine eligibility. This is challenging if they do not have proof of income. Additionally, unemployment requires proof of wages. **With documentation of their annual income through tax prep, youth can gain access to critically needed public benefit programs.**



EDUCATES & HELPS INSTILL A PRACTICE OF TAX FILING

By helping youth correctly file their taxes, they can **learn how to file correctly** and learn about the benefits of tax filing. For example, youth who are self-employed will be issued a Form 1099. With support, youth can learn how to claim qualifying business expenses and how to make estimated tax payments on untaxed income.



UNCOVERS IDENTITY THEFT

Identity theft is common among foster youth.⁵ A 2021 report found nearly 15% of foster youth discovered someone fraudulently claiming their tax refund.⁶ By assisting youth with tax filing while they are still in foster care, **fraud can be discovered while youth are connected to supports and services, and fixed.**



ELIMINATES USE OF HIGH-COST, INACCURATE PAID TAX PREPARERS

In 2016, tax prep services averaged \$400.⁷ These fees can equate to 13% to 20% of a low-income tax filer's return.⁸ Additionally, EITC tax filings prepared by paid preparers have a high rate of error. Assisting foster youth with filing their taxes also educates them about **free in-person and online filing resources and will save them hundreds of dollars each year.**

1. Money in the Pocket During the Pandemic, John Burton Advocates for Youth, August 2021.

2. Ibid.

3. Eastman, A. L., & Putnam-Hornstein, E. (2019). An examination of child protective service involvement among children born to mothers in foster care. *Child Abuse & Neglect*, 88, 317-325.

4. A Birth Cohort Study of Involvement with Child Protective Services before Age 5, Children's Data Network, 2015.

5. A Better Start: Clearing Up Credit Records for California Foster Children, California Office of Protection, August 2011.

6. Money in the Pocket During the Pandemic, John Burton Advocates for Youth, August 2021.

7. Gunter, S.R. (2019). Your Biggest Refund, Guaranteed? Internet Access, Tax Filing Method, and Reported Tax Liability. *Int Tax Public Finance* 26, 536-570.

8. The Price of Paying Taxes II: How paid tax preparer fees are diminishing the Earned Income Tax Credit (EITC), Progressive Policy Institute, 2016.