



JOHN BURTON
Advocates
for Youth

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TAX CREDITS PUT MONEY IN YOUR POCKET

A FEDERAL TAX FILING GUIDE FOR TRANSITION-AGE YOUTH IN THE UNITED STATES



FEBRUARY 2022

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KEY TERMS TO KNOW

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: Federal Earned Income Tax Credit

FAFSA: Free Application for Federal Student Aid

Forms 1040, 1040A, 1040EZ: Three types of Federal 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, such as money from independent contracts, rental properties, etc.

Form 1099-G: Form to report 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, a tax processing number issued by the IRS to individuals who do not have and are not eligible for a Social Security Number

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

SSN: Social Security Number

Tax Credit: Reduces the amount of money you owe the government (some are refundable, meaning you receive money back from the government)

Tax Deduction: Lowers your taxable income

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



INTRODUCTION

USING THIS GUIDE: This publication is designed to help transition-age youth file their taxes and claim a cash back refund. The publication outlines information about tax laws, tax credits and deductions, tax filing requirements, documentation needed to file, and free tax preparation services. This guide only covers information about federal taxes and does not cover state taxes. Please use this guide as a starting point as you get ready to file and consult with experts and advocates in your state. Some states offer additional tax credits and benefits. Learn more by visiting your state website. <https://www.irs.gov/businesses/small-businesses-self-employed/state-government-websites>

CASH BACK CREDITS EXPLAINED

WHAT IS THE EARNED INCOME TAX CREDIT (EITC)?

The EITC helps low-to-moderate-income workers and families get a tax break. If you are eligible, you could qualify for a cash back refund. The maximum amount of credit you could get from the EITC ranges from **\$1,502 to \$6,728** depending on the number of children you have and your income.

Below is a list of who is eligible for the EITC in 2022. See how much you may qualify for [online](#) [see Key Resource 1]. You are eligible if you meet **at least one** of the following conditions:

- Were age 18 and older in 2021 and were in foster care at age 14 or older; or
- Were age 18 and older in 2021 and were homeless in any taxable year; or
- Are a parent at any age filing as the head of household with a qualifying child; or
- Are age 19 or older;

AND all three of the following conditions:

- Have a Social Security Number;
- Have an income of at least \$1 in 2021, but less than \$57,414;
- Are not claimed as another person's qualifying child or dependent.

To claim the credit you must file your taxes. If you meet the conditions outlined in the first two bullets above, **you must check box 27a** on your tax return form 1040. By checking box 27a and filing your completed tax return you provide consent to the IRS to confirm that you experienced foster care or homelessness with the appropriate agency.



CHILD TAX CREDIT (CTC)

The CTC helps parents with the costs of raising a child. A parent can receive **\$3,600** for a child under the age of 6 or **\$3,000** for a child ages 6 to 17. You do not need to have earned income to qualify.

ECONOMIC IMPACT PAYMENT OR STIMULUS CHECK

A stimulus check is a cash payment designed to help financially during the time of the Covid-19 pandemic. In 2020, two stimulus checks were disbursed, first in the amounts of **\$1,200** per adult and **\$500** per child, then in the amounts of **\$600** per adult and **\$600** per child. In 2021, a third stimulus check was disbursed worth **\$1,400** per individual and per child.

Individuals eligible for stimulus payments are:

- A U.S. Citizen or Resident Alien;
- Not claimed as a dependent on someone else's taxes;
- Single earning \$75,000 or less; or
- A parent earning \$112,000 or less; or
- Married earning \$150,000 or less.

HOW MUCH CASH BACK COULD YOU RECEIVE IN YOUR TAX REFUND?

DID YOU RECEIVE ALL OF THE STIMULUS CHECKS THAT YOU QUALIFY FOR?

TABLE 1. FEDERAL STIMULUS AMOUNTS IN 2020 AND 2021

FEDERAL STIMULUS				
HOW MANY CHILDREN DO YOU HAVE?	DID YOU EARN LESS THAN \$75,000?	DID YOU RECEIVE THE FIRST PAYMENT IN 2020?	DID YOU RECEIVE THE SECOND PAYMENT IN 2020?	DID YOU RECEIVE THE THIRD PAYMENT IN 2021?
None	\$75,000	\$1,200	\$600	\$1,400
1	\$75,000	\$1,700	\$1,100	\$2,800
2	\$75,000	\$2,200	\$1,700	\$4,200
3	\$75,000	\$2,700	\$2,300	\$5,600

DO YOU QUALIFY FOR THE EITC?

TABLE 2. FEDERAL EARNED INCOME TAX CREDIT AMOUNTS FOR 2021 TAX YEAR

FEDERAL		
HOW MANY CHILDREN DO YOU HAVE?	DID YOU EARN LESS THAN THE INCOME LIMIT BELOW?	FEDERAL EITC (Cash Back Up To)
None	\$21,430	\$1,502
1	\$42,158	\$3,618
2	\$47,915	\$5,980
3 or more	\$51,464	\$6,728

WHO CAN FILE? WHO HAS TO FILE?

CHECK THE INCOME THRESHOLD TO SEE IF YOU HAVE TO FILE.

You need to file both state and federal income taxes if you earn more than the tax filing threshold based on whether you are single, a parent (Head of Household), or married. The threshold depends on your age and filing status, but ranges from as low as **\$12,550** to as high as **\$25,100**.

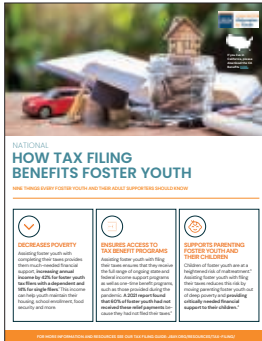
To find out if you are required to file federal and state taxes, visit the IRS and FTB websites [see Key Resources 3 and 4].

TAX FILING THRESHOLD		
IF YOUR FILING STATUS IS:	AND AT THE END OF 2021 YOU WERE:	THEN, YOU ARE NOT REQUIRED TO FILE IF YOUR GROSS INCOME WAS LESS THAN:
Single	Under 65	\$12,550
Head of Household	Under 65	\$18,800
Married Filing Jointly	Under 65 (both spouses)	\$25,100



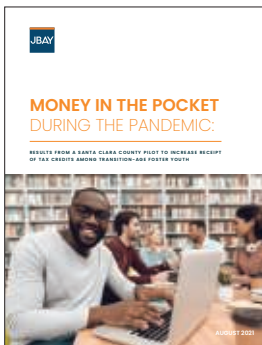
IF YOUR INCOME IS BELOW THE THRESHOLD YOU CAN AND SHOULD STILL FILE YOUR TAXES.

If your income is below the tax filing threshold or you have no income you should still consider filing taxes because you may receive a cash back refund or recover any missed stimulus payments. Here are some great reasons to file your taxes! **If you do not file you will not receive any credits that you are due.**



HOW TAX FILING BENEFITS FOSTER YOUTH

- Decreases poverty
- Uncovers identity theft
- Ensures access to tax benefit programs
- Maintains eligibility for public benefit programs
- And more!



MONEY IN THE POCKET DURING THE PANDEMIC - TAX PILOT PROGRAM REPORT

- Youth who filed through the VITA program at Santa Clara's Youth Center, "The Hub," received an average tax refund and stimulus payment of **\$2,822**. This increased youths' annual income by **17%** on average, based on their AGI.
- The average return for parent filers was **\$6,605**, nearly triple the average return of single filers.
- 60% found they could access **federal stimulus payments**.

GETTING YOUR REFUND(S)

The 2022 tax filing season begins January 24, 2022 and people who owe taxes must file or request an extension by April 18, 2022. Most transition-aged youth do not owe taxes and can file between January 24, 2022 and October 17, 2022.

Once you file your taxes, you will likely be eligible for a cash back tax refund. You can choose whether you would like to receive the money by direct deposit (in up to three different bank accounts) or as a paper check. Usually, you will receive a tax refund electronically within 10 days and a paper check within 4-6 weeks.

TAX PREPARATION

HOW DO I FILE? WHAT DO I NEED?

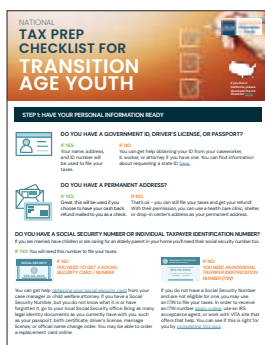
In order to get the EITC, CalEITC, and other tax benefits you have to file your taxes. John Burton Advocates for Youth (JBAY) has created a [worksheet](#) to help walk you through what you need [see Key Resource 5]. Gathering the information below will help you file your taxes with confidence:

PRIMARY DOCUMENTS TO FILE

- Identification document(s): license, passport, government issued ID
- Mailing address (permanent, shelter, clinic, etc.)
- Social Security Number or Individual Taxpayer Identification Number
- Bank Account and Routing Number
- Last Year's tax return (if available)
- W-2 or 1099s from each job / employment
- Proof of unemployment compensation (Form 1099-G if you received it)
- 1099-INT form if you had a savings account that gained interest last year
- Students with education expenses, tuition & fees (1098-T form from school)

DEDUCTIONS & CREDITS

- Federal Earned Income Tax Credit
- Child Tax Credit, Child Care and Dependent Tax Credit
- American Opportunity & Lifetime Learning Credits
- Excessive medical bills / expenses
- Retirement Savings Contribution Credit
- Retirement account contributions to IRA or self-employed account
- Charitable contributions or donations



TAX PREP CHECKLIST FOR TRANSITION-AGE YOUTH

- Step 1:** Have your personal information ready
- Step 2:** Gather work, scholarships, income, and earnings documents
- Step 3:** Get the most cash back possible by reviewing your deductions
- Step 4:** See if you qualify for cash back tax credits
- Step 5:** Get all your federal stimulus checks
- Step 6:** Schedule a free tax appointment or file yourself for free

WHERE CAN I FILE FOR FREE?

You should file both your state and federal taxes between January 24, 2022 and October 17, 2022. If you earned less than \$57,000 you qualify for free tax help [see Key Resources 6 and 7]. Paying for tax services is not recommended.

FREE IN-PERSON OR VIRTUAL SUPPORT

- [VITA Locator](#)
- [GetYourRefund.Org](#)
- Call 2-1-1

OTHER DO-IT-YOURSELF OPTIONS ARE:

- Get Your Refund [GetYourRefund.org](#)
- Cash App Taxes [Cash.app/taxes](#)
- EZ Tax: [EZTaxReturn.com](#)
- IRS e-file: [UDStax.com](#)



SPECIAL CIRCUMSTANCES TO CONSIDER



1

Which public benefits count as taxable income? Which do not?

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.

Medicaid, Supplemental Nutrition Assistance Program (SNAP) (formerly Food Stamps), Social Security, unemployment, foster care payments, welfare payments, Social Security benefits, disability, and federal income tax refunds are not taxable. Do not include these payments as part of your income and earnings when you file your taxes.



2

What do college and technical trade students need to claim education tax credits?

Education credits can save students up to \$2,500. You'll need to get your Form 1098-T to claim the credit from your financial aid account online or from your school's financial aid office. Keep your education receipts for books, supplies, and expenses, they're called qualified expenses. You subtract expenses from grants and scholarships to maximize your cash back education credits.



3

How do people who are homeless or do not have a permanent address file their taxes?

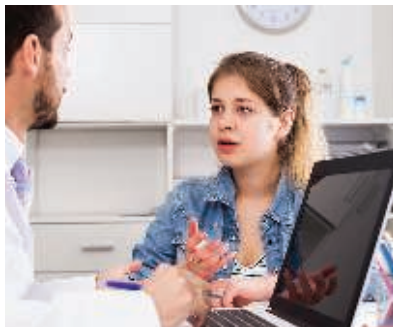
If you don't have a permanent address for a paper refund to be mailed to you, choose direct deposit to your bank account. If you don't have an address or bank account you can still file your taxes and get your refund! With their permission, you can use a health care clinic, shelter, or drop-in center's address as your permanent address and have your tax refund check mailed there.



4

How do people without a bank account file their taxes?

You can receive a paper check by mail or 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.

**5**

How do people who are in detention file their taxes?

You can file your taxes if you are in detention or a secure placement. A friend, social worker, lawyer, or family member can bring the required tax documents and forms for you to fill out or request an online appointment and access to computer to file your taxes with staff in the hall. Any wages earned while incarcerated or on work release are not income that can be considered earned income for the EITC. The American Opportunity Credit is not available if you have a felony drug conviction.

**6**

How does a parent who shares custody of a child with someone else file their taxes?

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.

**7**

What if someone claimed me or my children on their taxes and received my tax refund or stimulus check(s)?

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 [see Key Resource 8]. 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**.



GENERAL ADVICE FOR HELPING TRANSITION-AGE YOUTH FILE THEIR TAXES

- 1 Review and share JBAY's Tax Filing Guide
- 2 Share informational materials about the EITC, CTC and taxes with TAY and partners
- 3 Help TAY prepare to file with the Tax Prep Checklist
- 4 Direct TAY to free tax prep services
- 5 Teach tax and financial literacy during TAY programs and services
- 6 Help TAY file previous year's taxes
- 7 Help TAY save important tax documents securely

LEGAL CHANGES TO TAX CREDITS THAT BENEFIT TRANSITION-AGE YOUTH

INCOME ELIGIBILITY, CREDITS, INCREASED ACCESS & STIMULUS

Temporary changes in federal law have the potential to significantly boost the income of TAY across the country, but they need to file their taxes to get these funds.

- **In 2020 and 2021**, three federal stimulus checks were issued by the IRS. Transition-age youth who did not receive their checks can file a 2020 and 2021 tax return to recover all three stimulus payments worth thousands of dollars.
- **In 2021**, the American Rescue Plan Act included the expansion of the federal Earned Income Tax Credit so current and former foster youth and youth experiencing homelessness can qualify at age 18. The Child Tax Credit was also modified to further support parents.

KEY RESOURCES

1. This IRS website outlines whether or not you qualify for the federal EITC.
www.irs.gov/credits-deductions/individuals/earned-income-tax-credit-eitc
2. This IRS website details whether or not you need to file federal taxes.
www.irs.gov/help/ita/do-i-need-to-file-a-tax-return
3. John Burton Advocates for Youth (JBAY) has created a checklist to help you prepare to file your taxes.
<https://jbay.org/resources/tax-prep-checklist-TAY-national/>

Free tax filing online is offered by several services.

Getyourrefund.org provides free virtual tax filing appointments and a free self-filing option in many languages. Other free services include cash.app/taxes, ezTaxReturn.com, and UDStax.com.

4. Set up your free tax appointment using this IRS website that provides locations of the nearest VITA sites to receive free tax preparation help. irs.treasury.gov/freetaxprep/
5. This IRS website shows you how to amend previous tax returns if you believe you may qualify for additional credits from previous tax years.
<https://www.irs.gov/newsroom/if-you-must-amend-your-return>



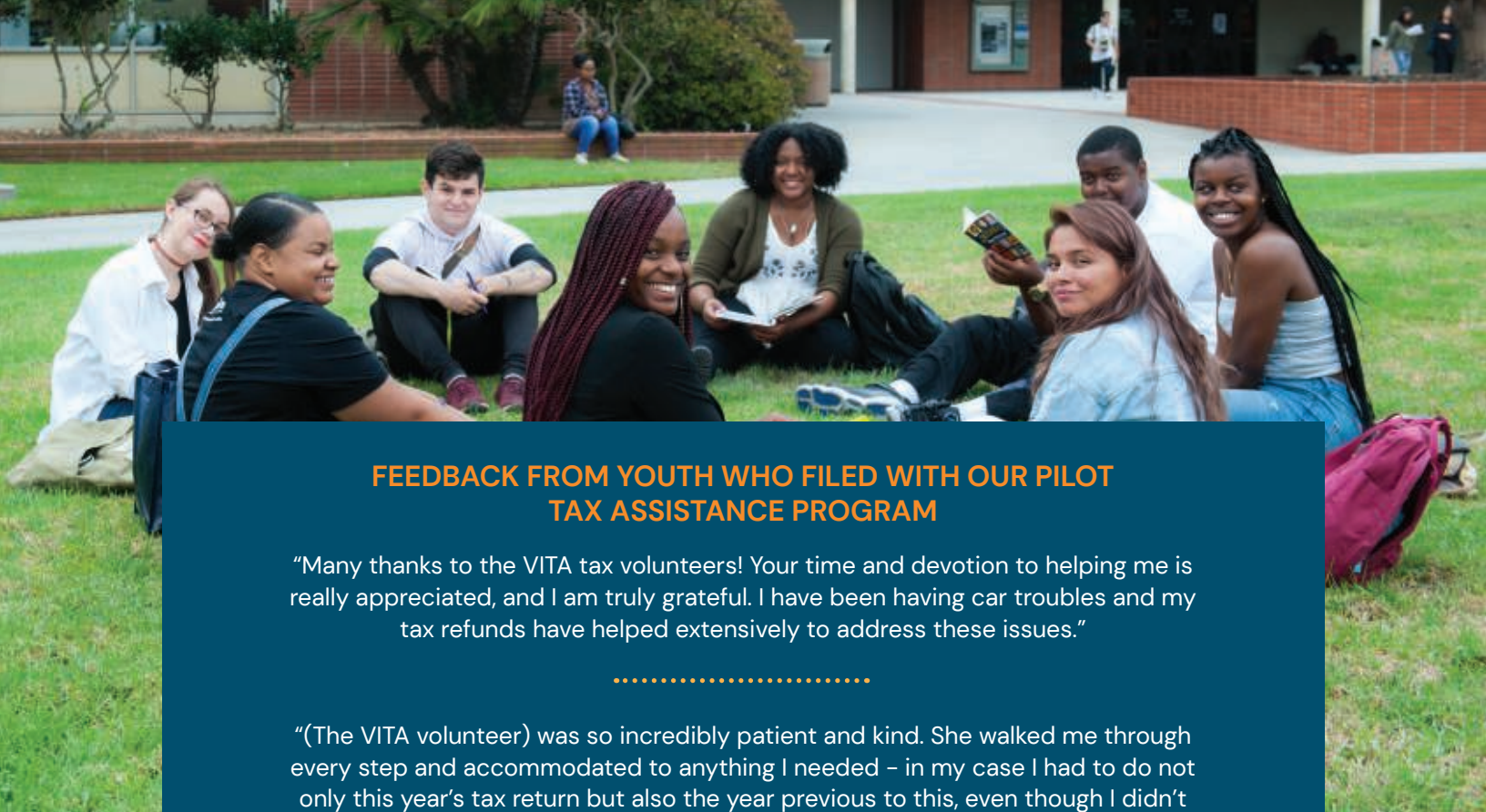
IMPORTANT PHONE NUMBERS

IRS: 1-800-829-1040

IRS IDENTITY THEFT HOTLINE: 1-800-908-4490

VITA (VOLUNTEER INCOME TAX ASSISTANCE): 1-800-906-9887

CALL: 2-1-1 (Ask the operator for information about local free tax filing services)



FEEDBACK FROM YOUTH WHO FILED WITH OUR PILOT TAX ASSISTANCE PROGRAM

“Many thanks to the VITA tax volunteers! Your time and devotion to helping me is really appreciated, and I am truly grateful. I have been having car troubles and my tax refunds have helped extensively to address these issues.”



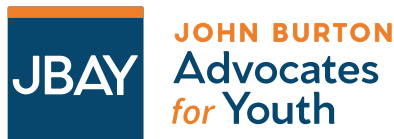
“(The VITA volunteer) was so incredibly patient and kind. She walked me through every step and accommodated to anything I needed – in my case I had to do not only this year’s tax return but also the year previous to this, even though I didn’t have all my documents together at once she continued to make the time with me and again, was super patient. I’m so thankful for all of the help! If given the opportunity to go through all of this over again next year, I’d definitely want to go through this process with her!”



“As an adult now, having to pay so much money to get my taxes done was challenging and doing it on my own caused so much stress and anxiety because it is something super important. I’m very thankful for all of your help and your team! I would highly recommend this program for future foster youth to come! This isn’t something that we’re taught, so the fact that you guys are doing it is so great!”

John Burton Advocates for Youth would like to acknowledge Youth Law Center for their collaboration on developing a national version of this resource.

John Burton Advocates for Youth improves the quality of life for youth in California who have been in foster care or homeless by advocating for better laws, training communities to strengthen local practices and conducting research to inform policy solutions.



WWW.JBAY.ORG

235 Montgomery Street, Suite 1142, San Francisco, CA 94104

Phone: (415) 348-0011