

Using the Earned Income Tax Credit to Build a Secure Financial Future



by Kalitha Williams

It's tax season! While some of us dread looking through envelopes and shoe boxes to locate half-remembered receipts, there is a bright spot for many working families – the

Earned Income Tax Credit (EITC). The EITC is the largest poverty relief program in the country for working families. Just last year, more than \$247 million in these credits came to working families and communities in Franklin County.

The EITC is the largest payment some families will receive all year. It's okay to make plans to purchase things that were unaffordable throughout the year like clothes, needed furniture or a restaurant meal. It's also important to think of ways that a portion of that large refund can help build a more secure financial future. Here are some ways to build assets at tax time:

- First, families can keep more of their refund by utilizing free tax preparation services. Nearly 70 percent of families claiming the EITC use a fee-based tax preparer and pay about \$300. Instead take advantage of free tax preparation sites. The Franklin County EITC Coalition (call 211) has several sites around Central Ohio that are available to families making under \$50,000. The Ohio Benefit Bank (www.ohiobenefits.org) offers free online tax preparation software and self-service kiosks for families making under \$60,000. Keeping that \$300 in the household can ensure that other needs are met throughout the year.
- Second, open or grow a bank account. Nearly 25% of Columbus families are un- or under-banked, which makes tax time a perfect opportunity for starting a savings account and opening a checking account. Reserve a portion of that money to use for a planned future purchase or an unexpected emergency. Either way, putting aside money can help build a better financial future.
- Third, consider purchasing U.S. Savings Bonds. Savings bonds are a great way to save. It's easy to purchase savings bonds while filing taxes, simply ask a tax preparer or file IRS Form 8888. Savings bonds can be given as gifts, used to save for long-term goals (college education, homeownership, etc.) and give

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better rates of return than certificates of deposits (CDS). A U.S. Savings Bond can be purchased for as little as \$25.

The EITC is a powerful tool for working families to increase financial stability. Unfortunately, 1 in 5 EITC eligible families do not claim the credit. To that end, Policy Matters Ohio and other organizations are advocating for increased funding for free tax preparation sites to expand access to underserved communities. More sites may prevent families from turning to predatory tax preparation sites that charge high fees and dilute the power of the EITC.

The EITC only goes to working families – you must have work-based earnings to qualify. It

helps families with kids to meet more of their basic needs – nearly all claimants have children. It simultaneously rewards hard work and lifts families from poverty. The impact transfers beyond individual households and can boost an entire local economy. Financially stable families build economically viable communities, and the EITC can help achieve both.

Kalitha Williams is a Policy Liaison with Policy Matters Ohio. Policy Matters Ohio is a non-profit, nonpartisan policy research organization founded in January 2000 to broaden the debate about economic policy in Ohio.