

# FAVORABLE TAX PROVISIONS FOR INDIVIDUALS WITH DISABILITIES

## Presenters:

Elizabeth Jennings, National Disability Institute

Nakia Matthews, National Disability Institute

Richard Keeling, IRS-SPEC

Special Guest Speaker

November 28, 2012 3:00pm – 4:30pm EST

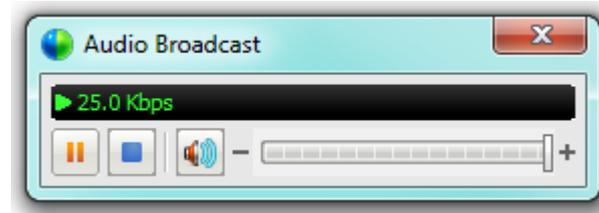
# Today's Agenda

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- **Welcome** - Elizabeth Jennings, NDI
- **Housekeeping** - Nakia Matthews, NDI
- **Overview of Financial Wellness Survey Results and Importance of Economic Empowerment** - Elizabeth Jennings, NDI
- **Favorable Tax Provisions** - Richard Keeling, IRS – SPEC
- **Peer Perspective** - Elizabeth Jennings, NDI and Special Guest
- **Next Steps** - Elizabeth Jennings, NDI

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Please note: This webinar is being recorded and the materials will be placed on the National Disability Institute website at [www.realeconomicimpact.org](http://www.realeconomicimpact.org).

# Special Thank You

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# What is Financial Wellness?

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- We define financial wellness as the state of a person's finances with the intent of working towards financial behaviors that limit stress and the impact of stress on one's daily life.

# Financial Wellness



# National Poverty Estimates

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## Individuals ages 18-64

- For individuals without disabilities, 12.8% had income below the poverty level over the past 12 months
- For individuals with disabilities, more than 2x that rate - **27.3%** had income below the poverty level.

Source: U.S. Census Bureau, 2010 American Community Survey

- No group in America is more in need and more deserving of economic recovery

- For millions of working age adults with disabilities a dependence on public benefits for income, health care, food, and housing becomes a trap that requires limiting income to remain eligible.

# Why is Financial Wellness Important?

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- Impacts mental and physical health.
- Impact positively self-concept.
- Changes status with other community stakeholders.
- Directly impacts quality of life.

# Financial Wellness and MS

- A recent survey conducted by MSAA and NDI involving individuals with MS indicated:
  - 55.1% of households earn less than \$35k annually, 16.4% earn less than \$50k but more than \$35k annually.
  - When asked about the ability to pay all of their bills in a typical month, 32% have a “very difficult” time paying their bills in a typical month, 46.9% reported a “somewhat difficult time”.
  - 43% of respondents reported that their financial status has affected their ability to access medical care at some point.

# Financial Wellness and MS

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- A recent survey conducted by MSAA and NDI involving individuals with MS indicated:
  - 71.7% of respondents do not have enough savings to cover 3 months expenses.
  - 67.1% of respondents reported that their finances were worse since their MS diagnosis.
  - 73.7% of Respondents reported that they were not aware of/have not used financial stability programs (EITC, IDA, FSS, PASS – you will learn about these in subsequent webinars)

# Financial Wellness Strategies Exist

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## Financial Literacy

Budgeting  
Credit Repair  
Getting Banked

## Use of work incentives

Use of tax incentives  
Volunteer Income Tax Assistance  
Earned Income Tax Credit

## State Medicaid

Buy-In  
Programs

## Family Self-Sufficiency Programs

Individual Development Accounts  
Assistive Technology Loan Funds  
Student Loans  
Retirement Accounts

## Post-secondary Education

Employment  
Self-employment  
Micro-Enterprise  
Home Ownership

Protection and Advocacy, Taxpayer Advocates, Credit Counseling

Volunteer Income Tax Assistance, Benefits Planning



# **“Favorable Tax Provisions for Individuals with Disabilities”**

November 28, 2012

Richard Keeling

## IRS Structure

- In the IRS, the Wage and Investment (W&I) Division provides tax processing, compliance, and customer service for virtually 123 million individual taxpayers.
- W&I includes five campuses that process tax returns and other tax documents; 25 sites that provide account management (toll-free and correspondence) services; and over 400 field operation sites that provide direct taxpayer assistance.
- Stakeholder Partnerships, Education & Communication (SPEC) is the Outreach and Education arm of the Wage and Investment Division of the IRS.
- SPEC partners with community based organizations to gain access and provide service to lower income, elderly, disabled, Native Americans, non-English speaking and rural populations.
- SPEC manages the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) free tax preparation programs

## SPEC' s Business Model

SPEC' s Business Model is leveraged through client-based organizations. The model integrates tax education and free tax preparation with other strategies promoted by partners to increase income, build savings, and gain and sustain assets for targeted SPEC taxpayers.

SPEC Business Model





# Multiple Sclerosis Survey

In 2011, Acorda Therapeutics, a leader in pharmaceuticals for nervous system disorders, teamed up with National Disability Institute and the Multiple Sclerosis Association of America, to sponsor a Financial Wellness webinar series and survey of people living with Multiple Sclerosis (MS). The survey results uncovered major areas of need for those living with MS, regarding financial wellness and common financial practices and helped shaped the content of the Financial Wellness Webinar series.

As a result of the survey, we learned:

- 67 percent of respondents reported their financial lives are worse after MS diagnosis.
- 79 percent have difficulty meeting monthly expenses.
- More than half of respondents worry that earnings or savings will negatively impact public benefits.
- More than half have no trusted point of contact for financial information or rely on family for advice.
- Nearly 74 percent were neither aware of nor had used available financial stabilization programs.
- 61 percent reported an annual household income under \$50,000.

[\*Financial Wellness Among Individuals Living with Multiple Sclerosis \(MS\)\*](#)



# Tax Topics for People with Disabilities

- Earned Income Tax Credit
- Child and Dependent Care Credit
- Credit for the Elderly or Disabled
- Medical Expenses
- Impairment Related Work Expenses
- Resources Including Free Tax Preparation
- Business Tax Incentives
- Opportunities
- Your Questions

# What is Earned Income Tax Credit (EITC)?

A federal tax benefit to help low and moderate income workers increase their financial stability.

## Purpose:

- Offset income and payroll taxes
- Supplement wages
- Provide a work incentive

## Key Features:

- Reduces taxes workers may owe
- 28 states have EITC credits
- EITC can be refundable

**January 25, 2013 is EITC Awareness Day!**

## What is the Impact of EITC?

EITC is one of the Largest Antipoverty Programs:

- Over 26.8 million received \$60 billion in EITC for 2011 tax year returns.
- Four of five people eligible for the credit claim it.
- EITC lifted an estimated 6.6 million people out of poverty, including 3.3 million or half of them children



## Tax Year 2012 EITC Chart

<b>Number of Qualifying Children</b>	<b>Single/HoH, Qualifying Widow(er), Income &lt;</b>	<b>MFJ Income Must be Less Than</b>	<b>Range of EITC</b>
<b>No Child</b>	<b>\$13,980</b>	<b>\$19,190</b>	<b>\$2 to \$475</b>
<b>One Child</b>	<b>\$36,920</b>	<b>\$42,130</b>	<b>\$9 to \$3,169</b>
<b>Two Children</b>	<b>\$42,042</b>	<b>\$47,162</b>	<b>\$10 to \$5,236</b>
<b>Three or More Children</b>	<b>\$45,060</b>	<b>\$50,270</b>	<b>\$11 to \$5,891</b>

# How do Workers Use the EITC?



Child Care



Rent & Utilities



Transportation



Auto Repairs



Basic Needs



Medical Expenses

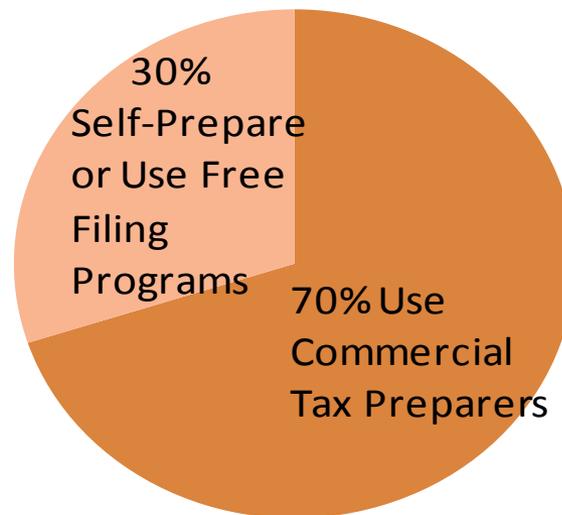
**The credits help workers keep working and care for themselves and their children.**

## Who Might Miss Out on the EITC?

- Workers not required to file returns
- TANF/Welfare recipients entering workforce
- Family members with disabilities
- Workers becoming eligible due to reduced earnings, loss of employment
- Newly divorced or separated custodial parents
- New parents
  - Foster
  - Adoptive
  - Grandparents

## Cost of Commercial Tax Prep

- When it's time to file a tax return, many workers seek help from a commercial tax preparer
- Average fees range from \$85 - \$120 for e-filing



EITC Claimants

## IRS Free Tax Prep Support

- More than 13,000 free income tax preparation sites nationwide VITA/TCE
- Approximately 400 IRS Taxpayer Assistance Centers nationwide
- *FreeFile* through IRS.gov for internet-enabled do-it-yourselfers. [www.freefile.irs.gov](http://www.freefile.irs.gov)



## SPEC Results for 2012 Filing Season

- Prepared over 3.2 million federal tax returns
- Achieved a 97% electronic filing rate for these returns
- Returned over \$3.7 billion in federal tax refunds
- Increased Direct Deposit Rate to 67.1%
- Savings Bonds requested for 52,012 taxpayers (\$21 Million)
- 98,978 Volunteers



# Tax Prep for People with Disabilities

Year	Cities	Partners	Returns Prepared	% Increase	EITC Claims	EITC Amounts	Refunds Received	Tax Prep \$ Saved
2005	11	----	7,600	----	1,710	\$0.7 m	\$ 6.8 m	\$1.5 m
2006	33	200	17,223	127%	3,875	\$1.6 m	\$15.3 m	\$3.4 m
2007	54	355	36,275	111%	8,162	\$3.7 m	\$32.6 m	\$7.2 m
2008	62	555	90,653	150%	20,397	\$9.7 m	\$81.5 m	\$18.1 m
2009	84	634	181,152	100%	40,759	\$19.4 m	\$176.6 m	\$36.2 m
2010	100	710	360,499	99%	81,112	\$38.5 m	\$351.5 m	\$72.0 m
2011	100	>800	397,090	10%	119,127	\$43.7 m	\$387.1 m	\$87.4 m
2012	100	905	411,617	4%	123,485	\$58.7 m	\$405.1 m	\$90.0 m
	TOTAL		1,502,109		398,627	\$175.9 m	\$ 1.45 b	\$ 316.4 m



## Child and Dependent Care

- If an individual pays someone for care for a child under age 13 so he/she could work or look for work, he/she may be able to reduce his/her federal taxes by claiming this credit.
- Your spouse who was not physically or mentally able to care for himself or herself and lived with you more than half the year
- A person who was your dependent and was not physically or mentally able to care for himself or herself and lived with you more than half the year
- The credit can be worth up to \$1,050 for one dependent or \$2,100 for two or more dependents.



## Credit for the Elderly or Disabled

- A federal tax credit available to low-income individuals if they are at least 65 or older and to individuals if they are retired with a permanent and total disability and have taxable disability income from a public or private employer.
- The maximum amount for the Elderly and Disabled Tax Credit is \$1,125



# Medical Expenses

## Medical Expenses

- Costs of diagnosis, cure, treatment or prevention of disease; includes artificial limbs, contact lenses/glasses, hearing aids; cost & repair of special telephone equipment; cost and care of guide dog; home modifications

## Other Common Medical expenses include:

- Health insurance premiums
- Payments to physicians
- Equipment
- Supplies
- Psychiatric and psychological treatment
- Prescription medicines



## Impairment Related Work Expenses

- If you have a physical or mental disability that limits your being employed, or substantially limits one or more of your major life activities, such as performing manual tasks, walking, speaking, breathing, learning, and working, you can deduct your impairment-related work expenses.
- Impairment-related work expenses are ordinary and necessary business expenses for attendant care services at your place of work and other expenses in connection with your place of work that are necessary for you to be able to work.



## Business Tax Incentives

- Barrier Removal Tax Deduction - Deduction for costs of removing barriers to the disabled and the elderly
- Disabled Access Credit – nonrefundable tax credit for small businesses that pays or incurs expenses to provide access to persons with disabilities
- Work Opportunity Credit – this credit provides businesses with an incentive to hire individuals with disabilities

Make your employer aware of the Disabled Access Credit, Barrier Removal Tax Deduction and Work Opportunity Credit so employers can determine if they can file for one or more of these federal tax credits or deduction.



# 2013 Filing Season Opportunities

## Free Tax Preparation

- Alternative VITA/TCE Models

### Facilitated Self Assistance Model (FSA)

- Taxpayers prepare their own returns with the assistance of a certified volunteer and self-preparation software
- One facilitator can assist multiple taxpayers

### Virtual VITA

- This approach uses the same process as traditional VITA/TCE except the preparer and taxpayer are not face to face
  - Technology is used to connect the volunteer preparer and the taxpayer Technology includes internet, fax, and video
- Host a Site - send email to [partner@irs.gov](mailto:partner@irs.gov)
  - Volunteers - send email to [taxvolunteer@irs.gov](mailto:taxvolunteer@irs.gov)

## Asset Building

### ***“Tax Time Savings”***

- Direct Deposit - is the fastest, safest way to receive a tax refund. An e-filed tax return means a fast refund. Taxpayers who combine e-file and Direct Deposit can get their refunds in as few as 10 days.
- Split Refunds – deposit your refund into 3 separate accounts at any financial institution.
- Savings Bonds – taxpayers may purchase U.S. Series I Savings Bond for themselves and up to two others individuals. The remainder of the refund may be direct deposited or issued in a paper check.

## 2013 Filing Season Opportunities

### Outreach

“Outreach is the delivery of tax, financial, asset building, and other key messages that educate or inform individual taxpayers, either directly or through our partners.”

- Tax Education Programs
  - Understanding Taxes
  - Get Right With Your Taxes
- Tax Credits
  - New Tax Law Changes
  - Outreach Corner

[www.irs.gov/Individuals/Outreach-Corner](http://www.irs.gov/Individuals/Outreach-Corner)

## IRS Outreach Resources

Free Tax Brochures, Products, Forms, Publications  
Marketing Tools on Outreach Corner

- Drop-In Articles
- Tax Podcasts
- PSAs
- Tips on Tax Issues

EITC Central

- EITC Statistics
- Ready Made Marketing Tools
- Customizable Marketing Tools

## How Can You Help?

- Strengthen communities by joining/working with coalitions
- Provide Outreach
- Distribute EITC educational materials
- Sponsor/coordinate a tax prep site
- Consider participating in 2 new VITA/TCE Models
  - Facilitated Self-Assistance
  - Virtual VITA

## Resources

Information about Partnering with IRS - [www.irs.gov/Individuals/Partner-and-Volunteer-Resource-Center](http://www.irs.gov/Individuals/Partner-and-Volunteer-Resource-Center)

VITA Site Locator

- <http://irs.treasury.gov/freetaxprep>
- Call 1-800-906-9887

Alternative Media Center - [www.irs.gov/Forms-&-Pubs/Accessible-Products](http://www.irs.gov/Forms-&-Pubs/Accessible-Products)

Outreach Corner - [www.irs.gov/Individuals/Outreach-Corner](http://www.irs.gov/Individuals/Outreach-Corner)

EITC Central Website - [www.eitc.irs.gov](http://www.eitc.irs.gov)

EITC Coalitions - [www.cbpp.org/eitc-partnership](http://www.cbpp.org/eitc-partnership)

Brookings Institute - [www.brookings.edu/research/topics/earned-income-tax-credit](http://www.brookings.edu/research/topics/earned-income-tax-credit)

Center on Budget and Policy Priorities - <http://eitcoutreach.org>

Tax Highlights for Persons with Disabilities – Publication 907  
<http://www.irs.gov/pub/irs-pdf/p907.pdf>

## Contact Information

**Richard Keeling**  
Senior Tax Analyst  
404-579-2429

Richard.Keeling@irs.gov  
[Partner@irs.gov](mailto:Partner@irs.gov)

# Impact of Tax Refunds on Public Benefits

- 'Tax refunds will not be counted as income or resources (against any program financed with Federal funds) for 12 months following the month of receipt, until 12-31-12.'

The Bill that provided this provision was the "Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010" and is available at <http://www.govtrack.us/congress/bills/111/hr4853/text>.

# Impact of Tax Refunds on SSI

## SSI - Income

- ❑ Exclude from income any EITC payments received either as an advance or as a refund, regardless of the tax year involved.
- ❑ Exclude from income any CTC payments received as a refund beginning with tax year 2001.
- ❑ Any amount refunded on income taxes already paid is not income.

## SSI - Resources

- ❑ Any unspent Federal tax refund or payment made by an employer related to an EITC is excluded from resources for the 12 calendar months following the month the refund or payment is received.

SSI Income - <https://secure.ssa.gov/poms.nsf/lnx/0500820570>  
<https://secure.ssa.gov/poms.nsf/lnx/0500815270>

SSI Resource - <https://secure.ssa.gov/poms.nsf/lnx/0501130676>

# Peer Perspective - Special Guest, Tim

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- How has MS impacted your life?
- Which webinar did you attend last year?
- Was the information helpful?
- How did you use the information you received?

# Suggested Next Steps

1. Choose a method for filing your taxes.
  - VITA Site
    - To locate the nearest VITA site, <http://irs.treasury.gov/freetaxprep> or call 1-800-906-9887
  - *FreeFile* through IRS.gov.
    - [www.freefile.irs.gov](http://www.freefile.irs.gov)
  
2. File your taxes.

# Suggested Next Steps

3. Set a goal to complete items 1 and 2 over the next four months.
  
4. Share with us your experience.
  - We will send out emails over the next few months to offer you a chance to share your experience.

# Resources

- Internal Revenue Service website - <http://www.irs.gov/>
- IRS Outreach Corner - <http://www.irs.gov/Individuals/Outreach-Corner>
- Tax Highlights for Persons with Disabilities – Publication 907  
<http://www.irs.gov/pub/irs-pdf/p907.pdf>
- Medical and Dental Expenses – Publication 502  
<http://www.irs.gov/pub/irs-pdf/p502.pdf>
- Taxpayer Advocates - <http://www.irs.gov/uac/Taxpayer-Advocate-Service-6> (information)  
<http://www.irs.gov/uac/Contact-Your-Advocate!-> (locations)

# Contact Information

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NDI - [www.realeconomicimpact.org](http://www.realeconomicimpact.org)

Elizabeth Jennings

202-296-2044

or

[ejennings@ndi-inc.org](mailto:ejennings@ndi-inc.org)