

Thousands of Bay Area residents missing out on tax credit, officials say

By Joshua Melvin jmelvin@bayareanewsgroup.com San Jose Mercury News

Posted:

MercuryNews.com

SAN MATEO -- For Bryan Wallace's family \$2,300 is a lot of money.

A work injury and a construction slump since 2008 have left Wallace, his wife and five kids under 9 years old living in a rented, 20-by-12 room in a cousin's San Mateo home. Wallace earned \$39,000 last year.

But the Earned Income Tax Credit is a bright spot. It netted his family an extra \$2,300 this year and means some savings in the bank or shoes for Wallace's two sons.

The credit is a nearly 40-year-old program intended to help working families like the Wallaces'. But even though the federal government paid out \$512.6 million in earned income credits to more than 263,000 families or individuals in Santa Clara, Contra Costa, Alameda and San Mateo counties for 2011 returns, an estimated 20 percent more were eligible but didn't claim them, according to the IRS.

When people file their taxes they may not know about the credit, don't know they are eligible or make so little money they don't even file taxes, officials said. Whatever the case may be, it's money left on the table for families or individuals who make less than \$50,270 a year and could use a little help.

The credit can mean up to \$475 for people without children and a maximum of \$5,981 to families with three or more kids. The good news is eligible families who've already filed this year ahead of the April 15 tax deadline can amend their returns to claim the credit up to three years back.

"It's a lifesaver," said Rep. Jackie Speier, D-San Mateo. "Normally you don't think the IRS is doing you any favors."

But in this case the federal agency is part of "one of the best antipoverty programs we have in this country," Speier said. The tax credit, enacted in 1975, focuses on helping poor families, but also encourages work. You aren't eligible unless you earn income from wages, self-employment or farming.

Bryan Wallace, 46, was making good money putting up scaffolding until he took a wrong step and fell 17 feet in August 2008. He shattered his wrist, underwent two surgeries and spent a total of 18 months recovering. By then the construction industry was in a deep freeze and he was also facing, he believes, employers who were dubious about hiring him back.

"In scaffolding they say 'If you fall, you are fired before you hit the ground,'" said Wallace, who now works as a mover.

The loss of Wallace's income, the only one in his family, meant moving out of their Redwood City apartment and into a room in a cousin's home in August 2008. Since then Wallace, his 40-year-old wife Asinate, and their three daughters and two sons, who range from 8 to 1½ years old, have shared the small space.

The impact of the tax credit payments can be massive, said Kelly Batson, a regional director for Earn It! Keep It! Save It!, a nonprofit coalition that provides tax preparation help.

"For some people this is the most money they see at once in the year," said Batson. "They pay down debt or maybe they need it to fix the car."

For Wallace's family the money is peace of mind. Right now the family lives paycheck to paycheck. So a slow week at his moving job could mean falling behind in the bills and getting back into trouble with credit card debt, which they saw climb to about \$36,000 at its worst. The \$2,300 tax credit can fill some gaps.

"That might not sound like a lot of money to other people, but to us that is huge," said Wallace. "I think we had \$50 in our savings account before it."

In a time when everything from fighter planes to preschool classes for low income children is on the chopping block, a tax credit for poor families doesn't have a guaranteed future. However, there was some recent good news when leaders, as part of the fiscal cliff negotiations, decided to keep expansions of the program through 2017 which were set to expire this year, Batson said.

"It encourages people to work, so both sides of the aisle have been very pleased with that," said Batson. "But in this climate of 'we have to cut everything' it does get brought up."

Contact Joshua Melvin at 650-348-4335. Follow him at [Twitter.com/melvinreport](https://twitter.com/melvinreport).

eligible for tax credit?

About 20 percent of the individuals or families eligible for the earned income tax credit don't claim it. Here are the criteria:

You have to earn wages, or income from self-employment or farming

Maximum income is \$50,270 for a married couple with three children

If you don't have children you be 25-65 years old

You must file an income tax return with the IRS

For more information on the Earned Income Tax Credit go to www.etc.irs.gov.

Source: Internal Revenue Service