

State Law Requires Employers to Tell Employees about Earned Income Tax Credit

A state law passed in 2007, AB 650, requires employers to notify all employees for whom they pay California unemployment taxes that they may be eligible for the Earned Income Tax Credit (EITC) within one week of providing them with their annual wage summary or W-2. The information provided here is intended to help you meet the requirements of the law and make your employees aware of underutilized tax credits.

What Does the Law Mean for Me?

1. You must inform all employees that they may be eligible for the EITC.

Effective Jan. 1, 2008, California law requires that you notify all employees covered under California Unemployment Insurance Code of their possible eligibility for the EITC. Employers are **required to hand directly to the employee or mail to the employee's last known address** written notification. *Posting or displaying information in the workplace or sharing information with employees via e-mail, does not meet the requirements of the law;* however, it is encouraged as an additional means to increase employee awareness of the EITC. The law requires notification of your employees within one week before or after, or at the same time that you provide them with their annual wage summary, including, but not limited to, W-2 forms.

Here is a list of tools to help you inform your employees about the EITC:

- Download a notice to distribute to your employees that meets the new CA state legal requirements. You must hand this notice directly to the employee or mail it to the employee's last known address. You may also enclose a copy with the W-2 form. The notice is available for download at www.sfworks.org/partnersandresources.asp.
- Tell your employees about the San Francisco Working Families Credit (WFC). The WFC is a local incentive from the City of San Francisco that encourages San Francisco working families to claim the EITC and other benefits. Families who earn less than \$48,300 in 2009 are encouraged to receive their credit through direct deposit to a bank account. This year's credit is \$125 for eligible applicants using direct deposit or \$50 for those requesting a check. Tell your employees to ask their tax preparers or to call (800) 358-8832 for more information.
- Notify employees earning less than \$52,000 in 2009 that they are eligible to have their taxes prepared for free. Tell your employees to call (800) 358-8832 or visit www.earnitkeepitsaveit.org for more information.

2. You are required to provide the Advance EITC to any employee who requests it.

The legal notification provided above includes information for employees about the Advance EITC. You are required to inform employees about where they can get the required IRS W-5 form and to process the Advance EITC upon request of the employee.



What Is the Advance EITC?

With the Advance EITC, eligible employees receive part of their EITC in paychecks throughout the year rather than waiting until they file their federal taxes. You subtract the Advance EITC payments made to employees from your total employment taxes. To qualify for the Advance EITC, employees must fill out an IRS W-5 form and must reapply each calendar year.

More information about specific filing instructions can be found in IRS Publication 15, Circular E, Employer's Tax Guide through the IRS website at www.irs.gov.

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