

MONEY \$MART

in Head Start

Issue 3



In This Issue

- Free Ways to File
- File Early
- Using Your Refund
- For More Information
- To Sum It Up

Planning for Tax Time

As you probably know, almost everyone with an income needs to file a tax return. You may be dreading tax time because you're afraid that you owe money to the Internal Revenue Service (IRS) or the state. But, it's just as likely that you'll be getting a refund!

One benefit of filing taxes is that you may get extra money back through tax credits, above and beyond what was withheld from your paycheck. Another benefit is that some tax credits can lower the income taxes you have to pay and might even give cash refunds to families whose incomes are too low to owe taxes.

As you get ready to file your taxes, here are a couple of things to keep in mind:

- You must file **1040** or **1040A** federal forms, and **WI 1** or **1A** state forms to get the credits. Some families miss out on the credits because they file the *wrong forms* like the federal 1040EZ or the state WI-Z.
- Say "no" to Refund Anticipation Checks (RAC). RACs don't get you your money any sooner and the rates and fees really add up. The result is a lot of money out of your pocket!

Free Ways to File Taxes

You can save money by doing taxes on your own instead of paying a tax preparer. Filing taxes is easier than in the past because of these programs:

- **Federal Returns** – At www.irs.gov, you can use brand-name software or free fillable forms to file online, or you can print the forms you need to file.
- **State Returns** – You can also file your Wisconsin taxes online or by mail with forms from www.dor.state.wi.us (or your local library). Be sure to do your federal taxes first since you'll need some of that information for your state tax return.
- **Volunteer Income Tax Assistance (VITA)** – Low-income individuals and families are eligible for free tax preparation by high quality, trained volunteers. VITA sites are generally located at community centers, libraries, schools, shopping malls and other locations across the state. To find the location closest to you, call 1-800-906-9887 or go to www.irs.gov and search for VITA.
- **Depending on your household income**, you can file your federal AND state taxes together at www.myfreetaxes.com, a website sponsored by United Way and several national companies. The Q&A format makes filing easy!

File Early if You Owe Taxes

- Many people tend to put off things they don't want to do, but if you owe income taxes, they need to be paid by April 15th.
- If you are not able to pay the full amount, there are short term extensions and monthly payment plans available.

Do you qualify for major tax credits?

When you file your taxes, if you qualify for tax credits, you'll need to fill out a few extra forms. These tax credits include:

- **The Earned Income Credit (IRS Schedule EIC)** is a tax benefit for workers who earn low or moderate incomes. Qualifying persons who file federal and state tax returns get back some or all of the income tax withheld from their pay during the year. You might even get *more* money back than you paid in taxes.
- **The Homestead Credit (WI Schedule H)** is a tax benefit for renters and homeowners with low or moderate incomes. Qualifying persons who file state returns get back some or all of their state taxes withheld during the year.

To learn more about tax credits, plus other resources, you can go to fyi.uwex.edu/wisconsinconnections

For More Information...

Contact your local UW-Extension Family Living Educator for more financial education resources. Go to www.uwex.edu/ces/cty/ to find your County office.

For help with balancing your monthly spending plan, contact a non-profit Certified Consumer Credit Counselor online at www.debtadvice.org or by calling 800.388.2227.

Making the Most of Your Refund

- **Make a wish list**– It can get you thinking about how to spend your refund. Write down the ways you want to spend your refund and how much each will cost. You might include needed things and fun things too.
- **Go back and circle items on the list you need to pay for first.** If it adds up to too much money, cross off circled items one by one until you stay within your refund.

How about saving some of your refund?

Tax refunds only come once a year and it's always nice to have some emergency money during the rest of the year.

The IRS offers an automatic savings option. Fill out **IRS Form 8888** to split your refund between savings and spending. For example, if you get back \$1,000, you can put \$750 into your checking account to pay bills and put \$250 into your savings account. You can even use some of your refund to buy savings bonds.

If you split your Federal tax refund and save at least \$50 using IRS Form 8888, you might be able to win cash prizes. Find out if this annual contest is open to you at: www.saveyourrefund.com

To \$um It Up:

- \$ Filing taxes can be a great time to make the most of your money
- \$ Don't miss out on tax credits to get more money by filling out the correct forms
- \$ Make a wishlist to help decide how to spend your refund
- \$ A tax refund could be the perfect time to jumpstart your financial goals - start or add to your savings account for emergencies, retirement, or your child's college fund – whatever is most important to you!

"Money Smart in Head Start" is provided by UW-Extension Family Living as part of the Head Start Financial Capability Project funded through the Annie E. Casey Foundation and reviewed by Peggy Olive, Financial Capability Specialist, UW-Madison/Extension. Authored by Sandy Liang, Family Living Educator, Waupaca County. University of Wisconsin, U.S. Department of Agriculture and Wisconsin counties cooperating. Copyright © 2015 by the Board of Regents of the University of Wisconsin System doing business as the division of Cooperative Extension of the University of Wisconsin-Extension. All rights reserved. An EEO/Affirmative Action employer, the University of Wisconsin-Extension provides equal opportunities in employment and programming, including Title IX and ADA requirements.