

# MONEY \$MART

## in Head Start

Issue 3



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If you did not receive an Economic Impact Payment (EIP) from the IRS during 2020, be sure to file your taxes for 2020 to see if you are eligible for this tax credit.

## 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 federal forms **1040** or **1040SR** for those 65+ years old, and state form **WI 1** to claim tax credits. If you file form **WI 1NPR** for nonresidents or part-time residents, you must have lived in Wisconsin year-round to get tax credits.
- 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](http://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](http://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](http://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](http://www.myfreetaxes.com), a website sponsored by United Way and several national companies. The Q&A format makes filing easy!



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## 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.extension.wisc.edu/eitc](http://fyi.extension.wisc.edu/eitc)

### For More Information...

Contact your local Human Development and Relationship Extension Educator, UW-Madison Division Extension, for more financial education resources. Go to <https://counties.extension.wisc.edu/> 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](http://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. To enter the contest, share information about how much you saved at: [www.saveyourrefund.com](http://www.saveyourrefund.com)

## To \$um It Up:

- \$ Filing taxes can be a great time to make the most of your money
- \$ Be sure to fill out the correct forms so that you can claim tax credits, if eligible.
- \$ Make a wish list 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!

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