

Taxes and DACA: What do you need to know?



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Julieta Garibay Co-founder & Deputy Advocacy Director, United We Dream

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Avideh Moussavian,

Economic Justice Policy Attorney, National Immigration Law Center

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Angel Padilla, Health Policy Analyst, National Immigration Law Center



National Immigration Law Center (NILC)

Founded in 1979, the National Immigration Law Center is the only national legal advocacy organization in the U.S. exclusively dedicated to defending and advancing the rights of low-income immigrants and their families. We envision a U.S. society in which all people — regardless of their race, gender, immigration or economic status — are treated equally, fairly, and humanely, have equal access to justice, education, government resources and economic opportunities, and are able to achieve their full potential as human beings.



Before we get started





Got DACA! Now What?!





What we'll cover:

- I. Taxes as a DACA-mented Dreamer / Immigrant
- II. Taxes 101
- III. The Affordable Care Act "Obamacare" & Taxes



TAXES AS A DACA-MENTED DREAMER

Why Should I pay Taxes?

Everyone needs to pay taxes



Required by law

Could help on your immigration case



Should I be Scared of Filing Taxes?

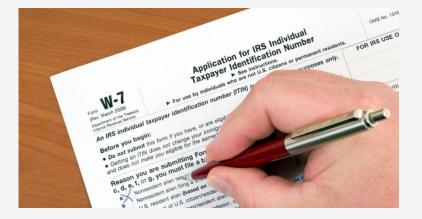




Paying Taxes without a SSN: Using an ITIN

What is an ITIN?

- •Individual Taxpayer Identification Number
- •9-digit number that begins with "9"
- •Does not provide work authorization



Who should apply for an ITIN?

- Anyone else who does not have SSN should pay their taxes using an ITIN.
- You may have family members who need an ITIN.



Paying Taxes without a SSN: Using an ITIN

How to apply for an ITIN?

- •<u>Form W-7</u> + tax return
- •6 to 10 weeks for processing



•Documents proving foreign status and identity (i.e., passport, USCIS photo ID, U.S. driver's license, birth certificate, medical records, etc.)



SSN or ITIN? Which do I use?

To file taxes, you must use a *valid* SSN (or an ITIN)

STOP using your ITIN to file once you receive a valid SSN





What do I do about previous tax years?

- Amend past returns if any incorrect information
- Payment of back taxes are NOT REQUIRED for DACA (or DAPA—though discretionary)





TAXES 101: FORM, TERMS, CREDITS

Tax Filing Date





Basic Tax Forms Overview





W-4: When you get Hired

Form W-4: Fill this out when you get hired

- Determines correct amount of taxes to withhold
- Shows government dates of employment and amount paid to Social Security Trust Fund

		Cut here and give I	Form W-4 to your employ	yer. Keep the t	top part for your re	ecords.		
Form	W-4	Employe	e's Withholding	g Allowar	nce Certific	ate	1	OMB No. 1545-0074
	tment of the Treasury al Revenue Service	the Treasury ► Whether you are entitled to claim a certain number of allowances or exemption from withholding is 2009	2009					
1	Type or print your	first name and middle initial.	Last name	20		2 You	ır social sec	urity number
	Home address (nur	mber and street or rural route)						
<u> </u>	City or town, state,	, and ZIP code						
5	Total number of	allowances you are clain	ning (from line H above o	r from the app	licable worksheet	on page	2) 5	
6	Additional amou	unt, if any, you want with	held from each paycheck	<			6	\$
7	I claim exemption	on from withholding for 20	009, and I certify that I me	eet both of the	following conditio	ns for ex	xemption.	
	If you meet bot	h conditions, write "Exem	pt" here		🕨	7		
Emp	loyee's signature		d this certificate and to the be	est of my knowled	dge and belief, it is tru			ete.
(Form	n is not valid unless					Date 🕨		
8	Employer's name a	and address (Employer: Comple	ete lines 8 and 10 only if send	ling to the IRS.)	9 Office code (optional)	10 Em	ployer identifi	cation number (EIN)
For I	Privacy Act and F	Paperwork Reduction Act	Notice, see page 2.		Cat. No. 10220Q		F	orm W-4 (2009)

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W-2: From your Employer

<u>Form W-2</u>:

- Get it from employer by the end of January of coming tax year.
- Shows wages, income taxes withheld, and payroll taxes (Social Security and Medicare withholdings)
- Employer is *required* by law to provide it to you. If you do not get it you have a right to demand it

d Control number a E	mployee's social security number		1 Wages, tips, other cor	npensatio	on	2 Federal in	come tax withheld		
123456789	nployee's social security number 123 - 45 - 6789			19,	404.31			2,1	11.65
c Employer's name, address, and ZIP code	b Employer identification num	nber	3 Social security wages			4 Social sec	curity tax withheld		
	95-600614	3			665.00				41.23
UC, LOS ANGELES			5 Medicare wages and	ips o	000 75	6 Medicare	tax withheid	2	00.00
-	LAUTER DIVE #C	20		20,	923.75			3	03.39
PAYROLL OFC, 10920 WI		20	9 Advance EIC paymen	t		10 Depende	ent care benefits		
LOS ANGELES, CA 90024									
e Employee's name, suffix f E	nployee's address and ZIP code		12 See Instrs. for Box 1	2		14 Other	a a	1 510	4.4
TO OPPUTINE DEVITIN						DCP-	CAS	1,519	.44
JOSEPHINE BRUIN									
825 WESTWOOD BLVD. LOS ANGELES, CA 90024									
LOS ANGELES, CA 90024									
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		Employ	yee Plan s	ird-party ick pay		VV-2	Statem	nent 🖌	
OMB No. 1545-0008 Department of the Treasu	ry-Internal Revenue Service		х	\square					
					Copy B, To B	e Filed With	Employee's FEDER	AL Tax Retur	n.
15 State Employer's state I.D. No.	16 State wages, tips, etc.	17.5	State income tax	18 L	ocal wages, tips	elc.	19 Local income ta:	x	20 Locality
CA 95-6006143	19,629.58		750.29						

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Which Tax Form Should I File?

	1040	1040EZ	1040A
Income is below \$100,000		Х	Х
single or married filing jointly		Х	
No dependents		Х	
Dependents	Х		
claim adjustments for student loan interest			Х
You claim itemized deductions	Х		

Read more about which form to use in <u>IRS Publication 17</u>, Your Federal Individual Income Tax.

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Basic Tax Terms

Exemptions: Personal exemptions as well as for spouse and dependents. Reduce taxable income.

Dependents: qualifying child or qualifying relative (can include siblings, parents, nieces/nephews, aunts/uncles and others). MUST meet certain criteria.

Example: 1040

Exemptions	6a Vourself. If someone c b Spouse	Boxes checked on 6a and 6b No. of children			
	c Dependents: (1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if child under age 17 qualifying for child tax credit (see instructions)	 on 6c who: lived with you did not live with
					you due to divorce or separation (see instructions)
ependents, see					Dependents on 6c not entered above
check here 🕨 🛄	d Total number of exemption	Add numbers on lines above >			



Basic Tax Terms

Credits: Reduce amount of taxes owed (sometimes refundable, like the Child Tax Credit and Earned Income Tax Credit)

Deductions: Specific expenses (i.e., home mortgage interest and charitable donations) that reduce taxable income.

Form 1040 (2014	1)				Page 2
-	38	Amount from line 37 (adjusted gross income)		38	
Tax and Credits	39a	Check if: You were born before January 2, 1950, Spouse was born before January 2, 1950,	Blind. } Total boxes Blind. checked ► 39a		
	b	If your spouse itemizes on a separate return or you were a dual-sta	tus alien, check here > 39b		
Standard	40	Itemized deductions (from Schedule A) or your standard dedu	40		
Deduction for-	41	Subtract line 40 from line 38	41		
People who	42	Exemptions. If line 38 is \$152,525 or less, multiply \$3,950 by the number of	42		
check any box on line	43	Taxable income. Subtract line 42 from line 41. If line 42 is more	43		
39a or 39b or	44	Tax (see instructions). Check if any from: a Form(s) 8814 b	44		
who can be claimed as a	45	Alternative minimum tax (see instructions). Attach Form 6251	45		
dependent,	46	Excess advance premium tax credit repayment. Attach Form 89	46		
see instructions.	47	Add lines 44, 45, and 46		47	
All others:	48	Foreign tax credit. Attach Form 1116 if required	48		
Single or Married filing	49	Credit for child and dependent care expenses. Attach Form 2441	49		
separately, \$6,200	50	Education credits from Form 8863, line 19	50		
Married filing	51	Retirement savings contributions credit. Attach Form 8880	51		
jointly or Qualifying	52	Child tax credit. Attach Schedule 8812, if required	52		
widow(er), \$12,400	53	Residential energy credits. Attach Form 5695	53		
Head of	54	Other credits from Form: a 3800 b 8801 c	54		
household,	55	Add lines 48 through 54. These are your total credits		55	
\$9,100	56	Subtract line 55 from line 47. If line 55 is more than line 47, ente	r-0 🕨	56	

Where to get help filing

1. File on your own





Where to get help filing

2. Volunteer Income Tax Assistance (VITA) Program

Offer free tax help if:

- Income under \$53,000
- Disabled
- Elderly
- Limited English speakers

Find a VITA site near you:







Where to get help filing

3. Paid in-person Tax Services (ie. Tax accountants)





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Common Tax Credits

Earned Income Tax Credit (EITC):

- •Only for SSN holders (*both* parents and qualifying child)
- •Maximum 2014 credit (\$496 for no qualifying children and \$6,143 for 3+ qualifying children).

Child Tax Credit (CTC) and Additional Child Tax Credit (ACTC):

•ITIN holders are eligible (up to \$1,000 per qualifying child)



THE AFFORDABLE CARE ACT ("OBAMACARE")

What is the Affordable Care Act?

•Affordable Care Act (ACA) = "Obamacare"

•Created "Marketplace" to buy health insurance

•*"Individual mandate"*- All eligible persons must be covered by health insurance or pay a tax penalty



Immigrant Eligibility for Obamacare

• Must be "lawfully present" in the U.S. (for purposes of the ACA) to be eligible for coverage.



SSN ≠ LAWFULLY PRESENT



Can DACAmented sign-up for Obamacare?

NO, DACA recipients are <u>**NOT eligible</u></u> because they are not lawfully present for purposes of ACA**</u>

NOT REQUIRED TO HAVE HEALTH INSURANCE

DON'T HAVE TO PAY TAX PENALTY



Affordable Care Act: DACA & Mixed Status Families

If you're part of a mixed-status family, important to remember:

- DACA recipients may apply for ACA coverage on behalf of eligible family members
- DACA recipients may be counted in the household size
- Individuals who receive ACA subsidies MUST file taxes





No Tax Penalty

DACA recipient = NO ACA Tax Penalty

File IRS Form 8965 with your taxes to "claim exemption"
Indicate "code C" on the form



Doesn't require you to disclose immigration status.
If you don't file taxes because you don't make enough, you don't need to file this exemption.



Form 8965 Department of the Treasury Internal Revenue Service	Health Coverage Exemptions Attach to Form 1040, Form 1040A, or Form 1040EZ. Information about Form 8965 and its separate instructions is at www 		OMB No. 1545-0074
Name as shown on return	1	Your social security n	umber
Joe Smitl		123	3-456-789

Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.

	Name	a of Individual				b SN			Exem	ption C	c ertifica	ste Nur	mber	
1														
2														
3														
4				_										
5														
6 Part I 7a	Coverage Exempti										_	Yes		No
	Are you claiming a hardship	examption becaus	e your gross i uals Claime	ncome is b	elow t ur Re	he filing turn: If	thresho you ar	d?				Yes our ta		No
	a Name of Individual	b SSN	c Exemption Type	d Full e Year an	t	g	h i Apr May	j June	k July	l Aug	m Sept	n Oct	o Nov	p De
8	Joe Smith	123-456-7	⁸⁹ C	\checkmark										



If you were incorrectly charged the tax penalty....

AND if you are a DACA grantee or are exempt, you can fix an incorrect tax penalty by filing an amended return:

- 1. File an Amended Return (<u>1040X</u>) line 9
- 2. File Form 8965 claiming code "C"



Recap Main Points

- 1. Don't be scared!
- 2. File by April 15th!
- **3. STOP** using your ITIN to file once you receive a valid SSN
- 4. You don't have to pay the ACA's tax penalty
- 5. Need to file TWO forms (1040 and 8965) and claim exemption code "C"
- 6. You can go back and fix incorrect tax forms to claim an ACA exemption





Questions?



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Resources

National Immigration Law Center: <u>www.nilc.org</u> United We Dream: <u>www.unitedwedream.org/taxes</u>

IRS: <u>http://www.irs.gov/Filing</u> Know your rights:

- DACA and workplace rights: <u>www.nilc.org/dacaworkplacerights</u>
- Facts about IRS "No-Match" letters: <u>www.nilc.org/irs-nomatch</u>

Factsheets from NILC:

- <u>FAQ Immigrants, ACA, and Taxes</u>
- <u>Immigrants & Exemptions from the Individual Mandate</u>
- DACA and DAPA Access to Federal Health and Economic Support
 <u>Programs</u>

Healthcare and DACA in California:

www.e4fc.org/resources/healthresourcesinca.html

