

On Federal Taxes

MYTH: Incarceration exempts individuals from the requirement to file taxes, halts the accumulation of federal tax debts, and prohibits the receipt of tax credits and deductions upon release.

FACT: Incarceration neither changes one's obligation to pay taxes and tax debts nor prohibits the receipt of tax credits and deductions upon release.

Filing Taxes and Accumulation of Tax Debt

All citizens must comply with the federal requirements to file and pay taxes. Collection of tax debts does not stop automatically upon incarceration. Individuals who are unable to pay should contact the Internal Revenue Service (IRS).

A tax return is necessary when:

Applying for housing and providing proof of income to the rental agency or owner. Applying for a student loan the college/university will ask for proof of income and request to see an individual's most recent tax return. Purchasing large items such as homes, cars, etc. that also require proof of income. Proving or establishing residency in the United States and providing employers with employment history.

If the IRS deems an individual unable to pay any tax debt, collection may be delayed until the individual's financial condition improves. But, delay of collection will *increase tax debt because penalties and interest are charged until payment of the full amount.*

- Individuals who owe \$25,000 or less in combined tax, penalties, and interest, can, for a fee, request an installment agreement.
- Additional time to pay taxes in full may be granted, but the payments must be timely.

To make an installment or payment delay request, use the Online Payment Agreement application at www.irs.gov or call 800-829-1040.

Individuals have three years from the due date of a tax return to file a past due return and receive a refund. Individuals who do not have the necessary documents to prove employment should:

- Call 1-800-829-1040 and request a copy of their Form W 2, Wage and Tax Statement, or Form 1099 MISC, Miscellaneous Income, for the year for which the tax return is being filed.
- After receiving the forms, contact the local IRS office or local 211 number to receive free tax return preparation services.

Before or after incarceration, individuals can visit a Low Income Tax Clinic (LITC) for assistance.

LITCs are independent organizations that provide low income taxpayers with representation in federal tax disagreements with the IRS for free or for a nominal charge.

Free help is available through the Taxpayer Advocate Service (TAS), an independent organization within the IRS that helps taxpayers who are experiencing economic harm as a result of tax issues. Individuals should contact their local advocates, whose numbers are in the phone book, in Publication 1546, Taxpayer Advocate Service Your Voice at the IRS, online at <https://taxpayeradvocate.irs.gov/>, or by calling 1-877-777-4778.

Tax Credits and Deductions

After release, a felony conviction does not bar an individual from receiving tax credits or deductions. Tax Credits create a dollar for dollar reduction in tax liability. Tax deductions reduce the level of taxable income.

Common tax credits include:

- Earned Income Tax Credit (EITC) — Individuals who work and have an earned income below the thresholds may qualify for the refundable EITC; the amount is determined by income and family size. **Income received for work performed while incarcerated, in a work release program or while in a halfway house is not included in the calculation of the EITC amount.**
- Child Tax Credit — Individuals with a qualifying child may receive this tax credit which can be claimed in addition to the Child and Dependent Care Credit (see below).
- Child and Dependent Care Credit — Covers a percentage of the expenses paid for the care of children under age 13, or for a disabled spouse or dependent, which enables the taxpayer to work.
- Education Credits—The American Opportunity Tax Credit covers some tuition and related expenses in the first four years of post-secondary education of an eligible student for whom the taxpayer claims an exemption on the tax return. The Lifetime Learning Credit can be claimed for all post-secondary education for an unlimited number of years. Both credits cannot be claimed for the same student in one year.
- Retirement Savings Contribution Credit - May be claimed on a percentage of qualified retirement savings contributions. Eligible individuals must be age 18 or older at the end of the year, not a student or an individual for whom someone else claims a dependency exemption, and have an adjusted gross income below a specified amount.

Common tax deductions include:

- Standard Deduction Consists of the basic standard deduction and any additional standard deduction for age or blindness.
- Exemption - Reduces taxable income. Individuals are entitled to a personal exemption when filing a tax return.

For More Information

- [Publication 594, The IRS Collection Process](#), provides valuable information on the collection process.
- [Publication 4925, Get Right with Your Taxes and Get Right with Your Taxes, Facilitator's Guide for Prisoner Reentry Educational Program](#)
- For more information on LITC's see [Publication 4134, Low Income Taxpayer Clinic List](#), this provides information on clinics in local areas.
- [Publication 596, Earned Income Tax Credit Publication](#)
- [Publication 972, Child Tax Credit](#)
- [Publication 503, Child and Dependent Care Expenses](#)
- [Publication 970, Tax Benefits for Education](#)
- [Chapter 5 in Publication 590, Individual Retirement Arrangements \(IRAs\)](#)
- [Publication 501, Exemptions, Standard Deduction, and Filing Information](#)

For copies of these documents, call toll free at **1-800-TAX-FORM (1-800-8293676)**, write or visit a local IRS office. To find a local office, visit the IRS website at www.irs.gov