

# San Francisco Chronicle

NORTHERN CALIFORNIA'S LARGEST NEWSPAPER

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## **S.F. bonus for families earning IRS tax credit First payments expected this fall**

Rachel Gordon, Chronicle Staff Writer  
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Working poor people in the Bay Area neglected to claim an estimated \$75 million a year in federal income tax credits. This year, San Francisco officials think they have a creative way to start to change that -- by offering city residents local cash incentives.

For some families, the underutilized federal Earned Income Tax Credit anti-poverty program can mean cash payments of up to \$4,300 a year, though the average allocation is closer to \$1,800.

Now, in a move intended to get more of the working poor to start taking advantage of the program and to put even more money into their pockets, San Francisco is set to start paying an anticipated average of \$300 to qualifying families who claim the Earned Income Tax Credit on their federal tax returns.

"That money really can be the tipping point for the family," said Joyce Newstat, Mayor Gavin Newsom's policy director who helped develop the local Working Families Credit program. "For some people, without it, you can't keep your child in child care, you can't get to work because your car broke down and you can't get it fixed. This really is intended to help the working poor stay in their jobs."

Denver started a similar local tax credit program in 2002 but quickly discontinued it when funding dried up. San Francisco is now the only municipality in the country undertaking such an endeavor.

"This is something that really can make a difference in people's lives," Newsom said.

Newsom plans to set aside \$1.5 million in city money for each of the next two years to fund the local tax credits. The expenditure awaits the approval of the Board of Supervisors, which is expected. The board unanimously approved the framework for the program last year.

The Newsom administration is seeking another \$1.5 million each year in philanthropic contributions to supplement the public money. H&R Block, the tax preparation firm, made the first private donation of \$1 million.

The first disbursement of local money is expected in September. The amount of each allocation would depend on the size of the fund at the time but is expected to average \$300 per family.

To qualify for the federal and local programs, a family with at least two dependent children can earn up to \$35,458 a year; the amount is less for smaller families. Unlike the federal program, which allows single people to apply, San Francisco's is only for families with children.

Many didn't apply.

Last year, about 36,000 low-income San Franciscans received the federal tax credit, but an estimated 11,000 others who were eligible didn't even apply for the benefit, leaving about \$12 million untapped, according to the Newsom administration. Regionally, an estimated \$75 million

in federal tax credits went unclaimed by the Bay Area's working poor in 2002, the last year for which figures are available, according to officials at United Way of the Bay Area, which assists low-income people with their taxes.

Nationally, the Internal Revenue Service estimates that 20 percent of the workers who could receive the federal tax credits didn't apply. In all, about 21 million Americans take advantage of the 30-year-old federal Earned Income Tax Credit -- one of the largest programs in the nation to keep people out of poverty -- at a cost of more than \$37 billion a year. Participating low-income earners either see a reduced tax bill or receive a direct payment.

Refund is 'huge'

Laura Swiger is one participant. A single mother living in San Francisco with her 3-year-old daughter, Swiger earned about \$29,000 last year as a social worker in the mental health field. She applied for the federal tax credit and got nearly \$3,000 in return.

"And when you make the amount of money I do, that \$3,000 is huge," she said. "My regular salary just doesn't cut it in San Francisco."

Swiger, 42, and her daughter, Ella, live with friends in Haight-Ashbury and are trying to move into their own apartment -- not a simple prospect when a landlord expects first and last month's rent and a deposit upon move-in. Swiger drives a 1981 Volvo with almost 200,000 miles on the engine and shops for Ella's clothes in thrift stores or receives clothes from friends and relatives.

She has no extra money to buy a camera to record Ella's childhood or a computer -- commonplace items in wealthier households.

"I don't have much of a safety net to work with," said Swiger, who works full time.

Swiger says she hopes to use the combination of the local and federal tax credit payouts to find a new home and enroll Ella in a better preschool.

She also signed up for an "individual development account" through Earned Assets Resource Network, a nonprofit group that provides enrollees with a 2-for-1 match from the federal government and other private and public sources for a savings account. The savings must pay for one of three things: higher education, a down payment on a home, or starting a business. Swiger has about \$1,500 saved up so far and plans to use it for advance college coursework.

A lifesaver

Utuma Belfrey, a single mother of three children ages 11 to 14, describes the Earned Income Tax Credit program as a lifesaver. An apprentice electrician, Belfrey was injured last year and used part of the \$3,000 in tax credit payment she received to keep food on the table for her family, pay the rent and build up some savings.

"It helped me get by," she said. "I have a job that makes a decent wage, but I'm still considered low income in San Francisco," said the Bayview- Hunters Point resident.

Belfrey, who earned around \$30,000 last year, has set a goal of buying a home and then leveraging equity in the property to help fund a college education for her kids.

"I want to give my children stability," she said.

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#### **Who can apply**

Families are eligible for San Francisco's new Working Families Credit if they:

Earned less than \$35,458 in 2004.

Claimed a federal tax credit in 2004.

Claimed at least one dependent child on the 2004 federal tax return.  
Live in San Francisco.

Applications are available at all public libraries, Rooms 140 and 160 in City Hall, H&R Block offices, Safeway stores in San Francisco and community organizations that offer free tax preparation services for low-income workers.

For more information, call (415) 554-5678 or log on to [www.sfgov.org](http://www.sfgov.org).  
People living outside San Francisco who may qualify for the federal Earned Income Tax Credit program should contact the Internal Revenue Service at (800) 829-1040 for more information or the United Way's Tax Assistance program for the working poor at (800) 358-8832.

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