

To claim the EITC—or EIC, as it is sometimes called—you need these forms:

- *Schedule EIC*. If you have qualifying children, attach this to your federal income tax return when you file. (Taxpayers without children do not need *Schedule EIC*.)
- Form 1040, 1040A or 1040EZ. To figure the EITC yourself, use the worksheet in the instructions for the form you are using. If you want help, see IRS Publication 4935 at www.irs.gov.

EITC and welfare

The EITC is not considered income when figuring your eligibility for federal assistance programs such as Medicaid and Supplemental Security Income (SSI), food stamps (SNAP) and low-income housing. But in some states, Temporary Assistance for Needy Families (TANF) benefits might be smaller because you take the EITC credit. Check with your state benefits office.

Generally, you can put the money from your EITC into your savings account. But assistance recipients should know that EITC money that is not spent might be counted as an asset (or resource), which could cause them to lose benefits.

State EITC

Twenty-six states and Washington, DC also provide an Earned Income Tax Credit to residents who qualify. See “For more information” for a resource to help you determine if your state is one of them.

Take a number

In order to qualify for the EITC, you need Social Security numbers (SSNs) for yourself, your spouse (if married and filing jointly) and all your children. If your child does not have an SSN, call the Social Security Administration at 800-772-1213 and ask for Form SS-5.

It takes at least two weeks to get an SSN after you have filled out and returned the form.

This is a good thing to do since you also need an SSN to claim your child as a dependent on your taxes, and your child will need an SSN for most daycare programs and schools.

For more information

✓ The Internal Revenue Service (IRS) is the federal government agency responsible for collecting income taxes.

Phone: 800-829-1040

Website: www.irs.gov

✓ The IRS offers a special website, EITC Central, with resources to help you learn more about the EITC.

Website: www.eitc.irs.gov

✓ Tax Credits for Working Families provides a map of states that provide a state EITC to resident taxpayers.

Website: <http://www.taxcreditsforworkersandfamilies.org/state-tax-credits/>

✓ Volunteer Income Tax Assistance (VITA) is a free tax preparation program. There are VITA sites across the country. Check your newspaper for announcements or ask at your library or local social service agencies. You can also use the online VITA Locator Tool or call between mid-January and April.

Phone: 800-906-9887

Website: www.irs.gov/Individuals/Find-a-Location-for-Free-Tax-Prep

✓ AARP Tax-Aide is a tax preparation program for low-to-moderate-income taxpayers, with special attention given to those aged 60 and older.

Phone: 888-227-7669

Website: www.aarp.org/money/taxaide

✓ The MyFreeTaxes Partnership provides free online state and federal tax preparation and filing assistance for individuals who earned less than \$64,000 last year. Its software is powered by H&R Block.

Website: www.myfreetaxes.com

✓ The Taxpayer Advocate Service is an independent organization within the IRS that helps taxpayers resolve problems with the IRS.

Phone: 877-777-4778

TTY: 800-829-4059

Website: www.irs.gov/advocate

Consumer Action

www.consumer-action.org

Consumer Action empowers low- and moderate-income and limited-English-speaking consumers nationwide to financially prosper through education and advocacy.

Consumer advice and referral hotline

Online: English (http://www.consumer-action.org/hotline/complaint_form/) or Spanish (http://www.consumer-action.org/hotline/complaint_form_es/)

Phone: 415-777-9635 (Chinese, English and Spanish spoken)

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Managing Money
www.managing-money.org

Get credit for your hard work

Low-income working taxpayers may qualify for the federal Earned Income Tax Credit (EITC)

2016 tax year information

1040

Refund

A project of **Consumer Action**

The Earned Income Tax Credit

The Earned Income Tax Credit (EITC) helps low-to-moderate-income, working taxpayers get more money back when they file their federal income tax return. A tax credit means that you will be eligible for a larger tax refund because it reduces the amount of money you may owe the federal government.

You must file a federal income tax return in order to claim the EITC—even if your income is so low that you normally would not file a tax return. You can get a check back even if you don't owe any taxes.

The income guidelines are more generous for people who have dependent children, but very low-income singles and married couples without children may also benefit. Foster parents and working grandparents who are raising their grandchildren also qualify. Even parents of babies born on the last day of the tax year can qualify if one or both parents were employed during the year and meet income guidelines.

EITC income guidelines are changed each year to keep pace with inflation, and vary widely depending on whether you file as a parent, how many children you claim and whether you're single or married. Eligibility guidelines and projected tax savings for each filing status are outlined in detail in other sections of this brochure.

For the 2016 tax year, EITC credits can be as high as \$506 for childless taxpayers or up to \$6,269 for taxpayers with three or more children. You can spend your credit any way you want, or put the money in a savings account.

To qualify for the EITC, you must have income from a job, and your income must be below the required levels. (Child support does not need to be included when figuring your income.) Farm owners and small business owners also qualify.

To claim the EITC, you must have a Social Security number (SSN). You also must be a U.S. citizen or resident alien for the whole year, or a nonresident alien married to a U.S. citizen or resident alien and filing a joint return. (You are a resident alien if you have a "green card," which gives you the right to live and work in the U.S.)

Your eligibility for the EITC depends on your earned income and your "adjusted gross income" (AGI). If your income is about the same as in previous years, the easiest way to find your AGI is to look at last year's income tax return. The amount shown at the bottom of the first page of your Form 1040 or 1040A was your AGI. If you filed Form 1040EZ last year, your AGI can be found on line 4, under the "Income" section.

Even if your salary last year was too high, you may qualify for the EITC this year if you have been laid off or had your work hours cut back.

Taxpayers with "married filing separately" status, or those who claim income from another country ("foreign income"), can't claim the EITC.

If you have income from investments (such as stocks, mutual funds, bonds, etc.) of more than \$3,400, you are not eligible for the EITC.

Legally married same-sex couples may file joint tax returns, and are eligible for the EITC.

Guidelines for parents

If you are claiming the EITC because you have children, attach *Schedule EIC* to your tax return to provide SSNs and other information about them.

For the 2016 tax year, earned income and AGI must both be less than:

- Single parent, one child: \$39,296. Joint filers, one child: \$44,846.

- Single parent, two children: \$44,648. Joint filers, two children: \$50,198.

- Single parent, three or more children: \$47,955. Joint filers, three or more children: \$53,505.

The maximum credits for parents are \$3,373, \$5,572 and \$6,269, depending on the number of qualifying children.

Do your children qualify?

Children being claimed for the EITC must be under 19 at the end of the filing year, or, if they are full-time students, under 24. There is no age limit for permanently disabled dependents. The child must be younger than you (except if they are disabled) and must be your:

- ✓ son, daughter, adopted child, stepchild, foster child or grandchild, or your
- ✓ brother, sister, half brother, half sister, stepbrother, stepsister, niece or nephew.

You and your qualifying children must have lived together in the U.S. for more than half of the tax year. (If you are a resident but not a citizen, you must have lived in the U.S. for the full year to claim the credit.) Children who were born or who died during the tax year and lived with you for the entire time, even if for less than six months, also qualify.

Low-income earners without children

Working singles and married couples aged 25 to 65 without children are eligible for an EITC of up to \$506.

For the 2016 tax year, earned income and AGI must both be less than:

- Singles: \$14,880.
- Married couples filing jointly: \$20,430.

To be eligible, individuals cannot be a dependent or a qualifying child of another person.

Your income

Taxable earned income includes:

- ✓ wages, salaries, tips and other taxable employee pay;
- ✓ union strike benefits and jury duty pay;
- ✓ long-term disability benefits received prior to minimum retirement age; and
- ✓ commissions, royalties and net earnings from self-employment.

If you have nontaxable combat pay (code Q in box 12 of your Form W-2), it's your choice whether to include it in your income for EITC. Run the calculation both ways to see how it affects your EITC.

Your adjusted gross income can be the same as or less than your income, depending on which, if any, deductions you qualify for. To claim the EITC, both your income and your AGI must meet the EITC income guidelines.

Filing your taxes

In many communities there are free or very low-cost Volunteer Income Tax Assistance (VITA) programs to help you file your taxes. See "For more information."

If you use a paid tax preparer, avoid high-cost "refund anticipation loans" or similar "rapid refund" types of products. The cost of such loans and products can sharply reduce your tax credit. In most cases, you will get your refund in a few weeks anyway. (Beginning in 2017, however, the IRS will hold refunds on returns claiming the Earned Income Tax Credit or the Additional Child Tax Credit (ACTC) until at least Feb. 15 to help prevent revenue lost due to identity theft and refund fraud related to fabricated wages and withholdings. The IRS still expects to issue most refunds in less than 21 days, though it will hold the *entire* refund for EITC- and ACTC-related tax returns filed early in 2017 until Feb. 15 and then begin issuing them.)