

the EITC when you file your tax return. (And you must file a tax return to claim the EITC.)

Advance EITC was repealed under the Education Jobs and Medicaid Assistance Act of 2010, which required that the program stop providing Advance EITC payments in workers' paychecks at the end of 2010.

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 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

Many states also provide an Earned Income Tax Credit to state taxpayers who qualify. See 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 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. After you have filled out and returned the form, it takes at least two weeks to get an SSN.

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

Web site: www.irs.gov

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

- Schedule EIC (Earned Income Credit). If you have qualifying children, attach this to your federal income taxes when you file them. Taxpayers without children do not need to attach Schedule EIC to their tax returns.
- Forms 1040A or 1040 (U.S. Individual Income Tax Return) and instructions. (Childless taxpayers can use Form 1040EZ to claim the EITC.)
- Form W-5 (Earned Income Credit Advanced Payment Certificate). Fill this out and give it to your employer if you want EITC payments in advance.

✓ The IRS offers a special page, EITC Central, with resources to help you learn more about the EITC at www.eitc.irs.gov/central/main/.

✓ Volunteer Income Tax Assistance (VITA) is a free tax preparation program. VITA sites change each year, so check your newspaper for announcements or ask at your library or at local social service agencies.

✓ AARP Tax-Aide is a counseling program for low-to-middle income people, with special attention to people aged 60 and older.

Phone: 888-227-7669

Web site: www.aarp.org/money/taxaide

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

Phone: 877-777-4778

TTY: 800-829-4059

Web site: www.irs.gov/advocate

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

<http://taxcreditsforworkingfamilies.org/state-resources>

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Managing Money
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Get credit for your hard work

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

2011 tax year information

1040

Refund

A project of **Consumer Action**

The Earned Income Tax Credit

The Earned Income Tax Credit (EITC) helps low income, working taxpayers get more money back when they file their federal income tax forms. A tax credit means that you will be eligible for a larger tax refund because the credit 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 the household meets EITC 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 2011 tax year, EITC credits can be as high as \$464 for childless taxpayers or up to \$5,751 for taxpayers with three or more children, depending on income. 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 at or 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) and be a U.S. citizen. You also are eligible if you are a "permanent resident," but only if you lived in the U.S. for the full tax year. A permanent resident is a person from another country who has a "green card" that gives them 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 return was your AGI. If you filed Form 1040EZ last year, your AGI can be found on Line 4, under the "Income" section. (For more information on predicting your AGI for the current year, see "Estimate your adjusted gross income.")

Even if your salary last year was too high, you may qualify for the EITC this year if you have been laid off or if you have 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 \$3,150, you are not 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 2011 tax year, earned income and

adjusted gross income (AGI) must be less than:

- Single parent, one child: \$36,052. Joint filers, one child: \$41,132.
- Single parent, two children: \$40,964. Joint filers, two children: \$46,044.
- Single parent, three or more children: \$43,998. Joint filers, three or more children: \$49,078.

The maximum credits for parents are \$3,094-\$5,751, depending on the number of qualifying children.

Do your children qualify?

Children being claimed for the EITC must be under 19, or, if they are full-time students, under 24. The child must be younger than you (except if they are disabled) and must be your:

- ✓ Son, daughter, adopted child, stepchild or a grandchild.
- ✓ Brothers, sisters or eligible foster children, whether or not you care for them as you would your own child.
- ✓ Stepbrother, stepsister, niece or nephew whom you care for as you would your own child.

You and your qualifying children must have lived in the U.S. for more than half of the current 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.) Qualified children must have lived in your household for more than half of the tax year. 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.

People without children

Working singles and married couples aged 25 to 65 without children are eligible for

an EITC of up to \$464. For the 2011 tax year, singles must have annual incomes of \$13,660 or less, and married couples filing jointly must have incomes of \$18,740. To be eligible, individuals cannot be a dependent or a qualifying child of another person.

Your income

Earned income includes all the taxable income and wages you get from working.

There are two ways to get earned income:

- ✓ You work for someone who pays you, *or*
- ✓ You work in a business you own.

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

Filing your taxes

When you file your taxes, you can ask the Internal Revenue Service (IRS) to figure the amount of your EITC, or you can do the calculations yourself. Use the IRS "EITC Worksheet" to figure your credit. If you have qualifying children, attach IRS "Schedule EIC" to your income tax return.

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." The cost of the loan can sharply reduce your tax credit. You will get your refund in a few weeks anyway, without the loan.

Advance payments ended

Advance EITC payments, which were delivered in your paycheck in the past, are **no longer available**. You must now claim