

Get Credit for Your Hard Work (2021 tax year information)

Low- and moderate-income earners may qualify for the Earned Income Tax Credit

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 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 2021 tax year (for taxes due in April 2022), EITC credits can be as high as \$1,502 for childless taxpayers or up to \$6,728 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 or self-employment, 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.

Even if your salary last year was too high, you may qualify for the EITC this year if you earned less, or if you only slightly exceeded the income threshold last year and did not earn significantly more this year.

(Note: The income limits for workers without children are significantly higher than in previous years—see below—so you may qualify even if you made substantially more money in 2021.)

Another change this year is that taxpayers with “married filing separately” status are eligible for the EITC, as long as they live with their qualifying child(ren) for more than half the year and either do not live with the other spouse for at least the last six months of the tax year or are legally separated and do not live in the same household as their spouse at the end of tax year.

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 \$10,000, you are not eligible for the EITC. (This is a major increase

from last year's limit of \$3,650.)

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 2021 tax year, earned income and AGI must both be less than:

- Single parent, one child: \$42,158 / Joint filers, one child: \$48,108
- Single parent, two children: \$47,915 / Joint filers, two children: \$53,865
- Single parent, three or more children: \$51,464 / Joint filers, three or more children: \$57,414

The maximum credits for parents are \$3,618, \$5,980 and \$6,728, depending on the number of qualifying children.

For the 2021 tax year, the IRS is allowing filers the option to figure the EITC using their 2019 earned income if it was higher than their 2021 income. For some workers, this will result in a larger credit, since the more you earn, while still remaining below the maximum, the higher your credit.

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 a 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 without children are eligible for an EITC of up to \$1,502 —nearly triple last year's credit of \$538. For the 2021 tax year, qualifying workers can be as young as

19 (instead of the previous age requirement of 25) and there is no age cap (it was previously 65).

For the 2021 tax year, earned income and AGI must both be less than:

- Singles: \$21,430
- Married couples filing jointly: \$27,380

These are significant increases to the income limits for childless workers, which means that, along with the reduction of the age requirement from 25 to 19 and the elimination of the upper-end age cap, more people will be eligible for the EITC this year.

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

To claim the EITC—or EIC, as it is sometimes called—





you need these forms (<https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-tax-credit-publications-forms-brochures-and-other-resources>):

- Form 1040 (or 1040-SR, for seniors). To figure the EITC yourself, use the worksheet in the instructions for the form you are using.
- 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.)

Visit the “How Do I Claim EITC?” page of the IRS website for details and links to needed forms (<https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/claiming-earned-income-tax-credit-eitc>).

If you didn't claim the credit when you filed your tax return for any of the past three years but you think you qualified for it (income limits are slightly lower in each previous year), let the IRS know so that you can get that money back.

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. However, to help prevent revenue lost due to identity theft and refund fraud related to fabricated wages and withholdings, refunds on returns claiming the Earned Income Tax Credit or the Additional Child Tax Credit (ACTC) cannot be issued before mid-February, regardless of whether you file on your own or through a tax preparer. You can use the “Where's My Refund” tool on the IRS website (or through the downloaded app) after

you file your return to check your refund status (<https://www.irs.gov/refunds>).

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

Thirty states, the District of Columbia, Guam and Puerto Rico, as well as some municipalities, also provide an Earned Income Tax Credit to taxpayers 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 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: 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 50 and older.

Phone: 888-227-7669

Website: www.aarp.org/money/taxaide



✓ The IRS Free File program with “guided tax preparation” provides free online tax preparation and filing at an IRS partner site if your AGI is \$73,000 or less in tax year 2021.

Website: www.irs.gov/filing/free-file-do-your-federal-taxes-for-free

✓ 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

About Consumer Action

www.consumer-action.org

Through education and advocacy, Consumer Action fights for strong consumer rights and policies that promote fairness and financial prosperity for underrepresented consumers nationwide.

Consumer advice and assistance: Submit consumer complaints to: https://www.consumer-action.org/hotline/complaint_form/ or 415-777-9635. (Spanish-language complaints can be submitted to: <https://complaints.consumer-action.org/forms/spanish-form/>.)

Our hotline accepts calls in Chinese, English and Spanish.

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