



The Earned Income Credit: A Powerful Benefit for People Who Work

What is the Earned Income Credit (EIC)?

The EIC is a tax benefit for working people who earn low or moderate incomes. It has several important purposes: to offset taxes, to supplement very low wages, and to provide a work incentive.

The EIC can offset some or all of the taxes workers must pay, such as payroll taxes, and can help cover any federal income tax workers may still owe at tax time. Besides offsetting taxes, workers earning low wages may also get cash back through the EIC refund. Workers who qualify for the EIC and claim it on their federal tax return can receive a refund check from the IRS even if their earnings were too small to owe income tax.

Who can get the EIC and how much is it worth?

Single or married people who worked full-time or part-time at some point in 2011 can qualify for the EIC, depending on their income.

- Workers who were raising one child in their home and had income of less than \$36,052 (or \$41,132 for married workers) in 2011 can get an EIC of up to **\$3,094**.
- Workers who were raising two children in their home and had income of less than \$40,964 (or \$46,044 for married workers) in 2011 can get an EIC of up to **\$5,112**.
- Workers who were raising three or more children in their home and had income of less than \$43,998 (or \$49,078 for married workers) in 2011 can get an EIC of up to **\$5,751**.

- Workers who were not raising children in their home, were between ages 25 and 64 on December 31, 2011, and had income below \$13,660 (or \$18,740 for married workers) can get an EIC up to **\$464**.
- Workers with investment income exceeding \$3,150 in 2011 may not claim the EIC.

Who is a “Qualifying Child” for the EIC?

- Sons, daughters, stepchildren, grandchildren and adopted children
- Brothers, sisters, stepbrothers, or stepsisters — as well as descendants of such relatives
- Foster children who are placed with the worker by an authorized government or private placement agency

“Qualifying children” must live with the worker for more than half of the year. They must be under age 19, or under age 24 if they are full-time students. Children of any age who have total and permanent disabilities also may be qualifying children. Valid Social Security numbers are required for qualifying children born before December 31, 2011.

How does the EIC work?

- **Eligible workers can pay less in taxes and get a check from the IRS.** Mr. and Mrs. Johnson have two children, ages 22 and 23, in college. They earned \$32,000 in 2011 and owe the IRS an extra \$200 in income tax not withheld from their pay during the year. Their income makes them eligible for an EIC of \$2,958. So, the EIC eliminates their \$200 income tax — now they owe the IRS nothing — and gives them a refund of \$2,758.
- **Eligible workers who owe no income taxes can get a check from the IRS.** Marlene Rogers is raising two children and earned \$10,000 in 2011. Her Social Security payroll tax was \$565. She is eligible for an EIC refund check of \$4,000 — it pays her back the amount of her payroll tax and she gets \$3,435 in addition.

How do you get the EIC?

- Workers raising a “qualifying child” in their home in 2011 must file either Form 1040 or 1040A and must fill out and attach Schedule EIC. Workers with children cannot get the EIC if they file Form 1040EZ or do not attach Schedule EIC. Married workers must file a joint return to get the EIC.
- Workers who were not raising a “qualifying child” in their home in 2011 can file any tax form — including the 1040EZ. These workers write the dollar amount of their credit on the Earned Income Credit line on the tax form. They do not file Schedule EIC.
- A correct name and Social Security number must be provided for each filer listed on the tax return and each child listed on the Schedule EIC. If this information is incorrect or missing, the IRS will delay the refund

Note: The Advance EIC option has been discontinued as of 2011. Previously, workers could choose to get part of their EIC in their paychecks throughout the year and part in a check from the IRS after they file their tax return. Congress passed legislation in 2010 eliminating this option.

Workers can get FREE help filing their tax forms

Many families that apply for the EIC pay someone to complete their tax forms. This can often cost between \$55 and \$130, or can be more.

Getting a “quick tax refund” that comes back in a few days costs even more. Paying for tax preparation takes away from the value of the EIC. But low-income workers can get free help with tax preparation through a program called VITA (Volunteer Income Tax Assistance).

Does the EIC affect eligibility for other public benefits?

The EIC does not count as income in determining eligibility for any federally funded benefits, including cash assistance (“welfare”), Medicaid, food stamps (SNAP), SSI or public housing. EIC refunds that are saved do not count against resource limits for any federally funded program for 12 months after the refund is received.

Can immigrant workers get the EIC?

Many immigrants who are legally authorized to work can qualify for the EIC, as long as they meet the other eligibility requirements.