



What Is Earned Income for the Earned Income Credit and Child Tax Credit?

Earned Income Includes:

Taxable Earned Income:

- Wages, salaries, and tips
 - Union strike benefits
 - Long-term disability benefits received prior to minimum retirement age
 - Net earnings from self-employment
 - Gross income received as a statutory employee
 - **Exception:** Military combat pay is not taxable earned income, up to the highest pay level for enlisted personnel. Combat pay is counted to determine eligibility for the CTC. Military personnel may choose to count their non-taxable combat pay in determining eligibility for the EIC, if it is advantageous to do so.
- Workfare payments
 - Pensions or annuities
 - Veterans' benefits (including VA rehabilitation payments)
 - Workers' compensation benefits
 - Alimony and Child Support
 - Non-taxable foster care payments
 - Unemployment compensation (insurance)
 - Earnings for work performed while an inmate at a penal institution
 - Taxable scholarship or fellowship grants that are not reported on Form W-2

If investment income exceeds \$3,150, the EIC may not be claimed. Investment income includes taxable interest, tax-exempt interest, and capital gain distributions.

For more detail, see IRS Publication 596, "Earned Income Credit."

Earned Income does not include:

- Interest and dividends
 - Social security and railroad retirement benefits
 - Welfare benefits
- Salary deferrals (for example: under a 401(k) plan)
 - Military basic housing and subsistence allowances
 - Meals or lodging provided by an employer for the convenience of the employer
 - Housing allowance or rental value of a parsonage for the clergy
 - Excludable dependent care benefits
 - Salary reductions such as under a cafeteria plan
 - Anything else of value you get from an employer for services you performed even if it is not taxable