

# EARNED INCOME TAX CREDIT

## What is It?

The Earned Income Tax Credit (EITC) is a federal income tax credit for low- to moderate-income individuals and working families. As a credit, it reduces the amount of taxes owed. It also can result in a direct payment from the government if an individual qualifies for a credit that is larger than the amount of taxes he or she owes. In most cases, EITC payments will affect eligibility for Medicaid, Supplemental Security Income (SSI), food stamps, low-income housing or most Temporary Assistance for Needy Families (TANF) payments.

## How Much is the Credit Worth?

Credit amounts vary based on several factors. But the maximum credits for the 2009 tax year are:

- \$5,657 with three or more qualifying children
- \$5,028 with two qualifying children
- \$3,043 with one qualifying child
- \$457 with no qualifying children

## Do I Qualify?

You must meet certain criteria to qualify for the EITC. For one, there are income requirements. Also, to claim the credit you must:

- Have earned some income for the tax year.
- Have a valid Social Security Number.
- Use a tax-filing status other than “married filing separately.”
- Be a U.S. citizen or resident alien for the entire tax year or be married to a citizen or resident alien and file your taxes jointly.
- Not be a qualifying child of another person.

If you do not have a qualifying child, you must also:

- Have been older than 25 and younger than 65 at the end of the tax year.
- Have lived in the U.S. for more than half the year.
- Not qualify as a dependent of another person.

## What are the Income Requirements?

For the 2009 tax year, earned income and adjusted gross income (AGI) must each be less than:

- \$43,279 (\$48,279 married filing jointly) with three or more qualifying children.
- \$40,295 (\$45,295 married filing jointly) with two qualifying children.
- \$35,463 (\$40,463 married filing jointly) with one qualifying child.
- \$13,440 (\$18,440 married filing jointly) with no qualifying children.
- Investment income must also be \$3,100 or less for the year.

## Who is a Qualifying Child?

A child is considered a qualifying child if he or she meets each of the following criteria:

1. Relationship
  - The child is your son, daughter, adopted child, stepchild, foster child or descendent of any of them, such as your grandchild.
  - The child is your brother, sister, stepbrother, stepsister or a descendent of any of them, such as a niece or nephew.
2. Age
  - The child is younger than you (or your spouse if married filing jointly). And is either younger than 19 or is a full-time student who is younger than 24.
  - The child can be any age if he or she is permanently and totally disabled.
3. Residency
  - The child must live with you in the United States for more than half of the year.
4. Tax-filing Status
  - The child cannot file a joint return for the year, unless the child and the child's spouse did not have a filing requirement and filed only to claim a refund.

## What is Earned Income?

Earned income includes all the taxable income and wages you get from working. There are two ways to get earned income. You either get it by working for someone who pays your or by working in a business that you own. Taxable earned income includes wages, salaries and tips, union strike benefits, long-term disability payments received before you reach retirement age, and net earnings from self-employment. It DOES NOT include Social Security benefits, alimony or child support, interest and dividends from investments, pensions, or unemployment benefits.

## How Do I Figure My Credit?

Once you know that you qualify for the EITC, you can figure your credit the following ways:

- Have the IRS figure the credit for you.
- Use the Earned Income Credit Worksheet in the tax form instruction booklet.
- Use the online EITC Assistant Tool at [www.irs.gov](http://www.irs.gov).
- **Use I-CAN! EIC™, to prepare your taxes.** I-CAN! EIC™ will help you do your taxes for FREE in English or Spanish. Simply answer a few questions and I-CAN! EIC™ will prepare the tax forms for you and can help you submit them electronically for a faster refund. Go to [www.icanefile.org](http://www.icanefile.org).

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*This fact sheet is given to you as a guide to help you generally understand the way legal matters are handled. Local courts interpret things differently. The information and statements of law contained in this fact sheet are not intended to be used as legal advice. Before you take any action, talk to an attorney and follow that advice. Always do what the court tells you to do.*

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