

FAQs: THE EARNED INCOME TAX CREDIT



Q. What is the Earned Income Tax Credit?

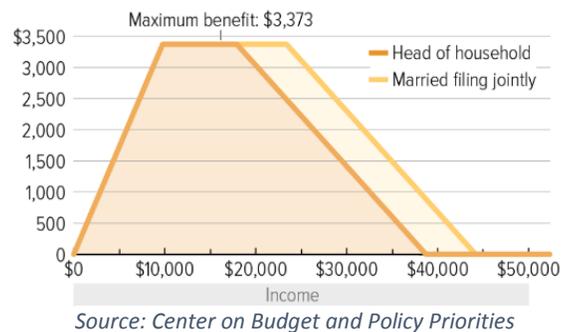
- A.** The Earned Income Tax Credit (EITC) is a tax credit for working people who have low to moderate income. The EITC is a refundable tax credit, which means an eligible person can still get the credit even if they do not owe or have to pay income taxes.

While refundable credits like this are extremely valuable, they are also targets for tax identity fraud. Taxpayers need to be careful to meet the credit requirements and substantiate their eligibility. If in doubt, don't just forgo the tax credit. Do your homework on the IRS website or talk to a tax professional, who can help you determine if you are eligible and what information you need to substantiate the EITC.

Q. How much is the EITC?

- A.** The amount of the EITC is a fixed percentage of earnings. The credit increases with earned income until it reaches a maximum based on income level, and then is gradually reduced as income increases. The credit rate and maximum credit vary by the individual situation.

Earned Income Tax Credit for Households with One Child, 2016



Q. Do I need to have children to qualify for the EITC?

- A.** The EITC is primarily geared toward benefiting working families, so families with children receive a much larger credit than workers without, and the credit amount varies by number of qualifying children. However, workers without children can under certain circumstances qualify for the credit.

Q. How will claiming the EITC impact my refund?

- A.** Aside from receiving the credit as part of your refund, if qualified, claiming the EITC may impact timing of your refund. Beginning with the 2017 filing season, a new law requires the IRS to hold your EITC refund until February 15. The IRS will begin releasing EITC refunds on February 15, however you may not have the refund deposited into your bank account or onto your debit card until the week of February 27.

Q. What counts as earned income?

- A.** Earned income is, generally, money either paid to you by an employer or money you earn by operating your own business or farm. Earned income includes: wages, tips, salaries, self-employment income, union strike benefits and certain long-term disability benefits. The following is NOT earned income: retirement income, social security, unemployment benefits, alimony and child support. You must have earned income in order to claim the EITC.

Q. Do I qualify for the EITC?

A. To qualify for the EITC, you must have earned income from working for someone or from running your own business. You must also meet the following criteria:

1. Your earned income and adjusted gross income are within certain limits.

In 2016, both your earned income and adjusted gross income must be no more than:

Filing Status	Qualifying Children Claimed			
	Zero	One	Two	Three or more
Single, Head of Household, or Qualifying Widow(er)	\$14,880	\$39,296	\$44,648	\$47,955
Married Filing Jointly	\$20,430	\$44,846	\$50,198	\$53,505

2. You meet basic rules including:

- Have a valid Social Security number (SSN)
- Not file as married filing separately
- Be a U.S. citizen or resident alien all year
- Not file a Form 2555 or Form 2555-EZ
- Have investment income of \$3,400 or less
- Have earned income

3. You either:

a. **Meet the rules for those without a qualifying child.** If you don't have qualifying children, to qualify for the EITC you must:

- Be at least 25 years old but younger than 65 at the end of the tax year
- Not be a dependent of another taxpayer
- Not be a qualifying child of another taxpayer
- Live in the United States for more than half the year
- For 2016, have earned income and adjusted gross income (AGI) of less than:
 - \$14,880
 - \$20,430 if married filing jointly

b. **Have a child that meets all the qualifying child rules for you, or your spouse, if you file a joint return.** If you have one or more qualifying children, to qualify for the EITC you must:

- Not be a qualifying child of another taxpayer for EITC purposes.

- Have a qualifying child who meets the relationship; age, residency, and joint return tests. The child must be your:
 - Child or adopted child
 - Stepchild
 - Eligible foster child
 - Sibling, half-sibling, or step-sibling
 - Descendant of any of the above, such as a grandchild or your niece
- The child must be:
 - Under age 19 at the end of the year and younger than you (or your spouse, if filing jointly),
 - Under age 24 at the end of the year, a full-time student, and younger than you (or your spouse, if filing jointly), or
 - Any age if permanently and totally disabled at any time during the year.
- The child must have lived with you in the United States for more than half of the year.
- Have a qualifying child who isn't claimed by another taxpayer for the EITC.
- For 2016, have earned income and AGI less than these limits:
 - With one qualifying child: \$39,296—or \$44,846 if married filing jointly
 - With two qualifying children: \$44,648—or \$50,198 if married filing jointly
 - With three or more qualifying children: \$47,955—or \$53,505 if married filing jointly

Q. What if I'm a member of the military, the clergy, or am disabled?

- A.** Members of the military have the option to include their non-taxable combat pay in their earned income for EITC purposes. This is most beneficial when it would result in a larger refund due to a larger EITC.

Those who are disabled and receive disability income may be able to include that income in their earned income for EITC purposes. Some types of disability income are considered earned income. For instance, disability retirement benefits under your employer's disability retirement plan are considered earned income until you reach the minimum age when you could receive a pension or annuity if you were not disabled.

Those with a totally and permanently disabled qualifying child may claim the EITC if they meet the other requirements, no matter how old their disabled qualifying child is.

Members of the clergy must include their housing allowance in their earned income for EITC purposes because it is included in their income for the self-employment tax. Members of the clergy with an approved Form 4361 or Form 4029 do not include any self-employment income in earned income for EITC purposes.

Q. How do I claim the EITC?

- A.** You must file a tax return to receive your EITC even if you don't owe taxes. To claim the federal credit, work with your tax preparer or use tax preparation software to file form 1040 or 1040A and Schedule EITC. If you are claiming the EITC for taxpayers without children, you may be able to file Form 1040-EZ.

Q. I didn't know I was qualified for the EITC in a prior year. If I didn't file for the credit in previous years, can I do so retroactively?

- A.** It's not too late to file for prior year returns. You can still file your tax return for the past three years to claim the EITC if you were eligible. Talk to your tax professional or learn more about filing past-due returns [here](#).