

THE EARNED INCOME TAX CREDIT: WHAT IT IS & HOW TO CLAIM IT



- 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.
- The **amount of the EITC** is a fixed percentage of earnings until the credit reaches its maximum based on income level. The credit rate and maximum credit varies by the individual situation. The EITC is primarily geared toward benefiting working families, so families with children receive a much larger credit than workers without children, and the credit amount varies by number of qualifying children. However, workers without children can under certain circumstances qualify for the credit.
- 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.
 - **EITC Tax Tip:** Take all the tax benefits you are eligible for. 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.
- Beginning in the 2017 filing season, **a new law requires the IRS to hold any refund with an EITC claim 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.

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.

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, net earnings from self-employment, 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.

For the 2016 tax year, 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:

- 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
- 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