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Earned Income Tax Credit; Do I Qualify?

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The Earned Income Tax Credit (EITC) is a financial boost for people working hard to make ends meet. Millions of workers may qualify for the first time this year due to changes in their marital, parental or financial status.

The IRS urges workers, self-employed people and farmers earning \$51,567 or less in 2013 to see if they qualify by using the EITC Assistant on IRS.gov. To get the credit taxpayers need to file a return and specifically claim the EITC, even if they aren't required to file.

The EITC is a refundable tax credit. This means taxpayers may get money back, even if they have no tax withheld. Nationwide last year, over 27 million eligible individuals and families received more than \$63 billion in EITC.

Many special rules apply to the EITC, so taxpayers should review the rules carefully, even when paying someone else to prepare their returns. Most people who qualify for the EITC also qualify for free tax preparation through the IRS Free File program, or at a local Volunteer Income Tax Assistant (VITA) site staffed by IRS trained community volunteers.

Generally, the EITC has no effect on welfare benefits. In most cases, EITC payments are not used to determine eligibility for Medicaid, Supplemental Security Income (SSI), supplemental nutrition assistance program (food stamps), low-income housing or most Temporary Assistance for Needy Families (TANF) payments. Though unemployment benefits are not earned income, they are taxable income and may affect the amount of EITC.

Credit Limits for Tax-Year 2013

The EITC varies based on income and family size. The table showing credit amounts can be found in the Instruction booklets for Forms 1040, 1040A and 1040EZ and in Publication 596, Earned Income Credit. This includes the expanded benefit for families with three or more children.

Those who qualify for EITC for tax year 2013, can get a credit from:

- \$2 to \$487 with no qualifying children;
- \$9 to \$3,250 with one qualifying child;
- \$10 to \$5,372 with two qualifying children;
- \$11 to \$6,044 with three or more qualifying children.

As the list shows, not everyone qualifies for the maximum credit. Last year, the average credit was \$2,300.

The EITC provides a financial boost for millions of hard-working Americans. However, even though most federal tax refunds are issued in less than 21 days, many factors can affect how long it may take for taxpayers to get their refunds. It is also possible that a tax return could require additional review and therefore take longer to process. Taxpayers can track the status of their refund with the “Where’s My Refund?” tool available on IRS.gov after the IRS starts processing tax returns on Jan. 31.

Eligibility for EITC

Besides filing a tax return, people must meet various requirements. Some of these requirements apply to everyone. Then there are additional requirements that apply to those who have one or more children, and another set of requirements that apply to people who don’t have a qualifying child.

Rules for every taxpayer:

- Must have earned income, such as wages, tips or the income from running a business or farm. Most other types of income, such as retirement pensions, though usually taxable, do not count as earned income;
- Must have a Social Security number that is valid for employment for self, spouse and any qualifying children;
- A person can get the credit even with a small amount of investment income, such as interest from a bank account. However, the amount of investment income is limited to \$3,300;
- The filing status used must be single, head of household, married filing jointly or qualifying widow or widower. A taxpayer who files as married filing separately cannot get the credit;
- Generally, must be either a U.S. citizen or resident alien;
- Cannot be a qualifying child of another person;
- Cannot file Form 2555 or Form 2555-EZ. These forms are used to claim the foreign earned income exclusion, a tax benefit for Americans who live and work abroad.

In addition, income must be below certain amounts. For tax year 2013, both earned income and adjusted gross income (AGI) must each be less than:

- \$14,340 (\$19,680 married filing jointly) with no qualifying children;
- \$37,870 (\$43,210 married filing jointly) with one qualifying child;
- \$43,038 (\$48,378 married filing jointly) with two qualifying children;
- \$46,227 (\$51,567 married filing jointly) with three or more qualifying children.

Special Rules for Families

People who claim the credit, based on having one or more qualifying children, must meet the relationship test, age test, residency test and joint return test for each child.

Relationship test. The child is the taxpayer’s:

- Son or daughter, including an adopted child or child placed for adoption;
- Stepchild or grandchild;
- Foster child placed by an authorized placement agency or court;
- Brother, sister, stepbrother, stepsister, half brother, half sister, or
- A descendant of any of them.

Age test. At the end of 2013, the child was:

- Younger than the taxpayer or the taxpayer's spouse if filing a joint return and younger than 19;
- Younger than the taxpayer or the taxpayer's spouse if filing a joint return and younger than 24 and a full-time student, or
- Any age if permanently and totally disabled

Residency test. The child lived with the taxpayer or the taxpayer's spouse if filing a joint return in the U.S. for more than half of 2013.

Joint Return test. A qualifying child who files a joint return can only do so to claim a refund with neither the child nor child's spouse being required to file.

More than one person cannot claim the same qualifying child to claim EITC. If a child meets the rules to be a qualifying child of more than one person, only one person can use that child to claim the EITC. Also, if the child qualifies for both a parent and another person, the other person can only get the credit by having a higher AGI than the parent.

Taxpayers without a qualifying child must meet three additional tests:

- Lived in the U.S. for more than half of 2013;
- At the end of 2013, was at least age 25, but under age 65, and
- Cannot qualify as the dependent of another person.

Special Rule for Combat Pay. Combat pay received by members of the military serving in Afghanistan, Iraq and other combat zone localities is usually exempt from tax. But under a special rule, the taxpayer can choose to count all of this as taxable income when figuring the EITC. In many cases, making this choice enables the person to claim the credit, or if already eligible, claim a larger credit.

Avoid Errors and Seek Accuracy

Even if someone else prepares the tax return, a taxpayer is still responsible for the accuracy the return. Because the EITC is complex, many people claiming it make mistakes. Taxpayers should get help if they are not sure whether they qualify. Common errors include:

- Claiming a child who is not a qualifying child,
- Filing as single or head of household when actually married,
- Reporting incorrect income or expense amounts, and
- Missing or incorrect Social Security numbers for self, spouse or qualifying children.

If a taxpayer receives an IRS letter requesting additional information, an immediate response is the best practice to avoid delaying a refund. If help is needed, the taxpayer can call the phone number shown in the letter.

The Right Credit Amount for Those Eligible

Some people who claim the EITC either figure it incorrectly or are not eligible. A deliberate error can have lasting impact.

More than half of EITC claims are prepared by tax professionals. To help ensure that only those eligible get the credit and that everyone who is eligible gets the right amount, the IRS requires paid preparers to file Form 8867 with any federal return claiming the EITC. This is the same due diligence checklist that for over a decade preparers were required to use for determining a client's eligibility and then keep in their records.

Taxpayers should be aware that they are ultimately responsible for all information on their returns, whether choosing self-preparation, seeking volunteer tax assistance or paying a professional to claim the EITC. Beware of scams promising to increase an EITC refund. Creating fictitious qualifying children or inflating income levels to get the maximum EITC are scams that may result in severe penalties. Among other things, a taxpayer could be banned from claiming the credit for up to 10 years. If an EITC claim was reduced or denied after tax year 1996 for any reason other than a mathematical or clerical error, the taxpayer must attach Form 8862, Information To Claim Earned Income Credit After Disallowance, to the next return filed to claim the credit.

How to Claim EITC

To claim the EITC, taxpayers need to file a Form 1040, 1040A or 1040EZ. If a taxpayer is claiming the EITC with a qualifying child, the Schedule EIC must be completed and attached to the tax return. Schedule EIC provides the IRS with information about the qualifying children, including their names, ages, SSNs, relationship to the taxpayer and the amount of time they lived with the taxpayer during the year.

Taxpayers can find more information on claiming EITC on irs.gov/eitc. The EITC Assistant available on irs.gov/eitc or the Instructions for Form 1040, 1040A and 1040EZ can help individuals determine their eligibility. The instructions contain a worksheet and the earned income credit table to help determine the amount of the credit.

How to Get Tax Help

Taxpayers can see if they qualify by using the improved EITC Assistant tool on the IRS website, available in English and Spanish or find more information on irs.gov/eitc.

Those who qualify for EITC should consider free tax preparation services. Many community and nonprofit organizations provide free tax return preparation for low-income and elderly taxpayers at thousands of volunteer sites nationwide.

The [Volunteer Income Tax Assistance](#) program offers free tax preparation for low-to moderate-income taxpayers. To find a nearby VITA site, visit <http://www.irs.gov/> and type the word *VITA* in the search engine and click on "Free tax return preparation for you by volunteers" or call the IRS at 800-906-9887.

[Tax Counseling for the Elderly](#) offers priority assistance to people who are 60 years of age and older. To find a TCE site, visit the [AARP locator web page](#).

Active duty military members and their families can receive free tax preparation assistance at VITA sites within their installations. The volunteers are trained and equipped to address military specific tax issues.

EITC-eligible workers can also seek free assistance using other IRS options such as [IRS Free File](#), the free tax preparation and electronic filing program, available only at IRS.gov/freefile and provided by software companies. Free File, is a public-private partnership that provides free way to do your federal tax returns either by using brand-name software or online fillable forms. Free File software is available now to more than 100 million individuals and families that earn \$58,000 or less, which is 70 percent of taxpayers.

Many e-file software providers and tax professionals also provide free services for low income taxpayers.

Other Resources

- [EITC Home Page](https://irs.gov/eitc) (irs.gov/eitc)
- [IRSvideos](#), available on YouTube, provide information about credits, deductions and tax law changes. The IRS also has videos in Spanish ([IRSvideosMultilingua](#)) and American Sign Language ([IRSvideosASL](#)).
- [IRS audio files](#), informal tax messages in English and Spanish, to use for podcasts or to play on a portable device.
- [Publication 596](#), Earned Income Tax Credit offers a detailed overview of EITC, the eligibility rules and instructions on how to claim it.
- [@IRSnews](#) and [@IRSenEspañol](#), the IRS Twitter news feeds, provide the latest federal tax news and information for taxpayers in English and Spanish.