

## IRS TAX TIP 2004-44

### EARNED INCOME TAX CREDIT AVAILABLE FOR CERTAIN WORKERS

Workers earned it. Don't forget to claim it, says the Internal Revenue Service. The Earned Income Tax Credit lowered federal tax liabilities for 21 million lower-income workers last year.

Some taxpayers may be eligible to claim the EITC for the first time, especially if there were changes in the family such as a new child, divorce or decrease in earnings during the past year.

To qualify for the EITC, taxpayers must have earned income during the year. Married taxpayers who file a joint return may qualify if at least one spouse has earned income. For tax year 2003, earned income includes all taxable employee income, such as wages and tips, and net self-employment income.

All taxpayers must meet certain rules to claim the EITC. The taxpayer:

- Must have earned income;
- Must have a valid SSN issued by the Social Security Administration (SSA);
- Cannot file as "married filing separately;"
- Generally, must be a U.S. citizen or resident alien all year;
- Cannot file Form 2555, "Foreign Earned Income," or Form 2555-EZ, "Foreign Earned Income Exclusion;"
- Cannot have investment income greater than \$2,600; and
- Cannot be a qualifying child of another person.

To qualify for the credit, the taxpayer's earned income and adjusted gross income must be less than:

- \$33,692 (\$34,692 if married filing jointly) with more than one qualifying child,
- \$29,666 (\$30,666 if married filing jointly) with one qualifying child, or
- \$11,230 (\$12,230 if married filing jointly) without a qualifying child.

The maximum amount of the credit is:

- \$4,204 for a taxpayer with two or more qualifying children
- \$2,547 for a taxpayer with one qualifying child, or
- \$382 for a taxpayer without a qualifying child.

To be a qualifying child, the child must meet age, relationship, and residency tests. However, a taxpayer (and the taxpayer's spouse, if filing jointly) who does not have a qualifying child must be at least 25 years of age but under age 65, not be claimed as a

dependent on someone else's tax return, and have made his or her home in the United States for more than half of 2003.

Only one taxpayer can claim the child for EITC purposes. If two or more people have the same qualifying child, they can choose which person will use the child to claim the EITC. However, if both claim the credit using the same child, the child will be treated as the qualifying child of the following person under these tie-breaker rules:

- The parent, if one person is the child's parent;
- The person with the highest adjusted gross income, if neither person is the child's parent;
- The parent with whom the child lived the longest during the tax year, if both persons are parents of the child and they do not file a joint return together;  
or
- The parent with the highest adjusted gross income, if both persons are parents of the child, they do not file a joint return together, and the child lived with each for the same length of time during the tax year.

The taxpayer may figure the credit by using a special worksheet included as part of the EITC instructions in the 1040, 1040A, and 1040EZ tax packages. Instructions in these packages require some taxpayers to use a worksheet in IRS Publication 596, "Earned Income Credit," instead of the worksheet in the tax package.

When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claimed and qualified for the credit.

The EITC does not generally affect eligibility for Medicaid, Supplemental Security Income (SSI), food stamps or low-income housing.

Taxpayers who want to claim the EITC should make sure they are eligible for the credit before sending in their tax return. One way to find out is to take advantage of a local volunteer tax assistance program, such as the Volunteer Income Tax Assistance (VITA) Program, Tax Counseling for the Elderly (TCE), AARP's Tax-Aide counseling program or the Military VITA Program for armed forces members and families. These programs provide free income tax preparation assistance. Visit the IRS Web Site at [www.irs.gov](http://www.irs.gov) to learn about these programs and more. To obtain the location, dates and hours of the volunteer site closest to you, call the IRS toll-free at 1-800-829-1040.

The IRS Web site and tax instruction booklets contain more information on this credit. Publication 596 is available on the Web site under "Forms and Publications" or by calling toll free 1-800-TAX-FORM (1-800-829-3676).

###

EDITOR'S NOTE: Members of the news media can subscribe to IRS Tax Tips through the e-News Subscriptions link on the Newsroom page of the IRS Web site, [www.irs.gov](http://www.irs.gov). Back issues of Tax Tips also can be accessed at [IRS.gov](http://IRS.gov). If you need additional information, contact your local IRS Media Relations office or call 202-622-4000.