

IRS Fact Sheet

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.IRS.gov/newsroom

Public Contact: 800.829.1040

Earned Income Tax Credit for 2011; 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 everyone earning \$49,078 or less from wages, self-employment or farming in 2011 to see if they qualify by using the [EITC Assistant](#) on IRS.gov. To get the credit you need to file a return and specifically claim the EITC, even if you aren't required to file.

The EITC is a refundable tax credit. This means you may get money back, even if you have no tax withheld. Nationwide last year, almost 26.8 million eligible individuals and families received over \$59.5 billion total in EITC.

Many special rules apply to the EITC. So if you plan to claim it, either on a return you prepare or someone else prepares for you, review the rules carefully. Most people who qualify for the EITC also qualify for free tax preparation through the IRS Free File system, or at a local tax help site staffed by trained community volunteers.

Generally, the EITC has no effect on welfare benefits. In most cases, EITC payments will not be 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 and thus affect the amount of EITC you can receive.

Credit Limits for Tax-Year 2011

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, available through 2012, for families with three or more children.

For tax year 2011, the maximum credit amounts are:

- \$464 with no qualifying children
- \$3,094 with one qualifying child
- \$5,112 with two qualifying children
- \$5,751 with three or more qualifying children

As the list above shows, not everyone qualifies for the maximum credit. Last year, the average credit was \$2,200.

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 only apply to families, and another set of requirements that only apply to people without children.

Rules for Everyone:

- You must have earned income, such as wages, tips or the income you make from running a business or farm. Most other types of income, such as retirement pensions, though usually taxable, do not count as earned income.
- You must have a valid Social Security number for yourself, your spouse and your qualifying children.
- You can get the credit, even if you have a small amount of investment income, such as interest from a bank account. However, the amount of your investment income is limited to \$3,150.
- Your filing status must be single, head of household, married filing jointly or qualifying widow or widower. If you file as married filing separately, you cannot get the credit.
- Generally, you must be either a U.S. citizen or resident alien.
- You cannot be a qualifying child of another person.
- You 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, your income must be below certain limits. For tax year 2011, both earned income and adjusted gross income (AGI) must each be less than:

- \$13,660 (\$18,740 married filing jointly) with no qualifying children
- \$36,052 (\$41,132 married filing jointly) with one qualifying child
- \$40,964 (\$46,044 married filing jointly) with two qualifying children
- \$43,998 (\$49,078 married filing jointly) with three or more qualifying children

Special Rules for Families

If you claim the credit, based on having one or more qualifying children, each child must meet the relationship test, age test and residency test. Each child must meet all three tests.

Relationship test. The child is your:

- 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 2011, the child was younger than you or your spouse. And:

- Younger than 19,
- Younger than 24 and a full-time student, or
- Any age if permanently and totally disabled

Residency test. The child lived with you in the U.S. for more than half of 2011. In addition, if a qualifying child files a joint return, he or she can only do so to claim a refund.

- A qualifying child cannot be used by more than one person 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 a qualifying child can be claimed by both a parent and another person, the other person can only get the credit if his or her AGI is higher than the parent's.

Special Rules for People Who Have No Children. Taxpayers without a qualifying child must meet three additional tests:

- Lived in the U.S. for more than half of 2011,
- At the end of 2011, was at least age 25, but under age 65,
- 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, you can choose to count all of this income when you figure the EITC. In many cases, making this choice will enable you to claim the credit, or if you are already eligible, claim a larger credit.

Avoid Errors and Seek Accuracy

Even if someone else prepares your tax return, you are still responsible for the accuracy of your return. Because the EITC can be complex, many people claiming it make mistakes. Get help if you are not sure you qualify. Common errors include:

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

If you receive an IRS letter requesting additional information, reply immediately to avoid delaying your refund. If you need help, 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 ineligible. A deliberate error can have lasting impact. 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, you could be banned from claiming the credit for up to ten years. If an EITC claim was reduced or denied after tax year 1996 for any reason other than a mathematical or clerical error, you must attach Form 8862, Information To Claim Earned Income Credit After Disallowance, to your next return to claim the credit.

Almost two out of three 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 now 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 have been required to use for determining a client's eligibility and then retain in their records.

This year, the IRS wants to remind all taxpayers that they should use only preparers who sign the returns they prepare and enter their Preparer Tax Identification Numbers (PTINs).

How to Claim EITC

[Publication 596, Earned Income Credit](#), explains the process. The publication is available on IRS.gov or by calling 800-829-3676. The Instructions for Form 1040 can help you determine your eligibility.

The instructions contain a worksheet and the earned income credit table to help you determine the amount of your credit. If you are claiming the EITC with a qualifying child, you must complete Schedule EIC and attach it to your tax return. Schedule EIC provides IRS with information about your qualifying children, including their names, ages, SSNs, relationship to you and the amount of time they lived with you during the year.

How to Get Tax Help

See if you qualify by using the EITC Assistant on the IRS website, available in English and Spanish.

Taxpayers 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 more than 12,000 volunteer sites nationwide. To locate the nearest VITA site, taxpayers should call the IRS at 800-906-9887. Taxpayers can also call their community's 211 or 311 line for local services.

Other options include Free File, the free tax preparation and electronic filing program available at IRS.gov and provided by software companies.

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

Remember, you can get faster access to your refund by using direct deposit. The IRS can generally issue refunds to taxpayers who combine e-file and direct deposit in as few as 10 days.

Other Resources

- [Pub 596, Earned Income Tax Credit](#) offers a detailed overview of EITC, the eligibility rules and instructions on how to claim it.

- [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. These are also available by subscription through [iTunes](#).
- [@IRSnews](#) and [@IRSenEspañol](#), the IRS Twitter news feeds, provide the latest federal tax news and information for taxpayers in English and Spanish.
- [IRS2Go](#), the IRS smartphone app, which gives taxpayers an on-the-go way to check on their federal tax refund, get tax help and more.
- [FS-2012-5](#), the IRS helps taxpayers choose a paid preparer wisely with these tips to keep in mind.