

IRS**News Release****Media Relations Office****Washington, D.C.****Tel. 202.622.4000****For Release: 01/30/03****Release No: IR-2003-12****MORE PEOPLE, ESPECIALLY MILITARY, ELIGIBLE FOR EITC;
VOLUNTEERS, IRS.GOV STAND READY TO HELP**

WASHINGTON – The Internal Revenue Service today reminded taxpayers that changes in the Earned Income Tax Credit law will expand the number of low-income working taxpayers, especially military personnel, who qualify for tax relief. The IRS urged taxpayers to review EITC requirements to determine their eligibility.

February marks the month in which a peak number of EITC claims are filed. The IRS is working to provide help in several ways:

- Many local IRS offices nationwide will be open Saturdays Feb. 8, Feb. 15 and Feb. 22 specifically to help people with EITC claims.
- Tax assistance sites operated by volunteers will begin opening in February.
- Taxpayers can visit IRS.gov to see if they qualify for free Internet tax preparation and electronic filing through IRS Free File.

“More hard-working Americans can receive tax relief or even a tax refund because of changes in this credit. We want all those who are eligible, but only those who are eligible, to apply,” said Acting IRS Commissioner Bob Wenzel. “The IRS and its network of volunteers are ready to help taxpayers complete accurate returns on this complex issue.”

For a complete list of EITC requirements, taxpayers should review Publication 596 which is available on IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676). Publication 596 contains a worksheet that helps taxpayers determine their eligibility. Also, taxpayers can use IRS.gov (www.irs.gov/eitc) to answer questions and determine eligibility. Fact Sheet 2003-XX also provides a brief overview of requirements.

Both the income limits and the maximum credit have increased for the 2002 tax year with the automatic cost of living calculations. To be eligible for a full or partial credit, a taxpayer must have an adjusted gross income of less than:

- \$33,178 (\$34,178 married filing jointly) and two or more qualifying children;
- \$29,202 (\$30,202 MFJ) and one qualifying child;
- \$11,060 (\$12,060 MFJ) with no children.

The maximum earned income credit is \$4,140 for families with two or more qualifying children, \$2,506 for families with one qualifying child and \$376 for an individual without children.

Among the significant changes for the 2002 tax year was a redefinition of what

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constitutes earned income. Now, earned income no longer includes nontaxable income such as military pay for housing, subsistence allowances or combat. The change will expand the number of military personnel who may be eligible for the credit. Also benefiting are people who participate in salary deferral plans such as 401(k) and Thrift Savings or people who receive excludable employer-provided benefits such as dependent care benefits.

Other significant changes include:

- Income calculations will be based on adjusted gross income, not modified adjusted gross income.
- Eligible foster children must live with a guardian more than half a year, reduced from a one-year rule.
- For taxpayers who are “married filing jointly,” the maximum adjusted gross income limit is \$1,000 more than other filing statuses.
- EITC is no longer reduced by the amount of any alternative minimum tax.

Under the new “tie-breaker” rule, if two people have the same qualifying child, you can choose which person will use the child to claim EITC. However, if you both claim the credit using the same child, the child will be treated as the qualifying child of only one person. Under the tie-breaker rule, the child can be treated as a qualifying child only by:

- 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,
 - If both persons are parents of the child and they do not file a joint return together, the parent with whom the child lived the longest during the tax year,
 - 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 parent with the highest adjusted gross income.

If you and your spouse are the parents and file jointly, these rules do not apply.

Free tax help is available from many sources such as the Volunteer Income Tax Assistance (VITA) and the Tax Counseling for the Elderly (TCE) programs. The IRS is working with national organizations and community coalitions across the nation. These local partnerships will help ensure working families and individuals become aware of the tax credit and learn how to apply. In 2002, there were 5,200 VITA sites nationwide, often located in shopping centers, libraries, universities, churches or community centers. VITA volunteers assisted more than 1.7 million taxpayers.

Many of the more than 400 IRS Taxpayer Assistance Centers, usually located in IRS local offices, will open nationwide Feb. 8, 15 and 22. The peak period coincides with the receipt of W-2 income statement forms from employers.

People who want to prepare their own tax returns should see Free File on IRS.gov. Many low-income individuals may qualify for online tax preparation and electronic filing for free as part of an IRS partnership with private-sector software firms. Individuals are under no obligation to purchase any product in return for the free services.