

IRS News Release

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EITC Awareness Kicks Off Today; Free Tax Help Available

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WASHINGTON — The Department of Treasury, the Internal Revenue Service and scores of community partners nationwide today kicked off EITC Awareness Day to promote the refundable tax credit for low-wage workers and options for free tax preparation.

January 31 – designated as EITC Awareness Day by the IRS - also marks the deadline for employers sending Forms W-2 to employees which enable them to file their tax returns. More than 60 percent of tax returns claiming the Earned Income Tax Credit are filed during the month of February.

More than 22.4 million taxpayers received more than \$43.7 billion in EITC on their 2006 federal income tax returns. The IRS estimates that approximately one in four eligible taxpayers fails to claim EITC. Eligibility requirements for the credit can be complex. Also, people who have earned income but may not have a filing requirement, non-English speakers, non-traditional families, the homeless, childless workers and rural residents are among those who may not realize they qualify.

“Ensuring that more eligible families receive their EITC is important this year, as it is every year. I encourage people all across America to check to see if you are eligible for the Earned Income Tax Credit,” said Treasury Secretary Henry M. Paulson, Jr.

“Believe it or not, there are many taxpayers who are eligible to receive the Earned Income Tax Credit, but fail to claim it simply because they are not informed. That is why the many partners involved in today’s effort – from Congress, to state local and community leaders – are so critical,” said U.S. Treasurer Anna Escobedo Cabral.

“The IRS wants all eligible taxpayers to claim this important tax credit. We also want people to know that free help is available. There are volunteers staffing free tax-help sites nationwide. Free File at IRS.gov offers free software and e-filing. And, many professional tax preparers also donate their time and services to low-income taxpayers,” said Acting IRS Commissioner Linda Stiff.

Many organizations offering free tax help also are encouraging taxpayers to save a little money or open a bank account. The IRS has helped in this effort by creating a split-refund program that allows all taxpayers to divide their refunds among up to three financial accounts, such as checking, savings and retirement.

More than 150 coalitions and partners across the nation will mark EITC Awareness Day with a series of news conferences or news releases promoting this refundable tax credit for low-wage taxpayers. These organizations operate free tax preparation sites for low-income individuals, for seniors and for other eligible taxpayers.

EITC claimants are eligible for free tax preparation services provided at nearly 12,000 volunteer sites nationwide, they can also link to Free File through IRS.gov if they wish to prepare their own returns or many tax professionals also offer free service as part of their pro bono requirements.

The credit was created in 1975 in part to offset the burden of Social Security taxes and to serve as a work incentive. The amount of the credit varies but it is generally determined by income and family size. Some states also have a local version of EITC also can increase a taxpayer's refund.

For the 2007 tax year, the maximum credit is \$4,716 for a family with two or more children; \$2,853 for a family with one child and \$428 if the taxpayer does not reside with children.

The maximum amount of earned income allowed is higher for tax year 2007 than it was for 2006. Please see Fact Sheet 2008-11 for all eligibility requirements. Generally, a taxpayer may be able to take the credit for tax year 2007 if the taxpayer:

- has more than one qualifying child and earns less than \$37,783 (\$39,783 if married filing jointly),
- has one qualifying child and earns less than \$33,241 (\$35,241 if married filing jointly), or
- does not have a qualifying child and earns less than \$12,590 (\$14,590 if married filing jointly).

The maximum amount of investment income also increased to \$2,900 for tax year 2007. For families, there also are certain requirements for child residency that must be met.

Nearly 70 percent of all EITC returns are prepared by a third party or tax professional. The IRS reminds tax professionals that they must perform due diligence when preparing an EITC tax return. To help, the IRS created an EITC Tax Preparer Electronic Toolkit which is available at www.eitcfortaxpreparers.com.

Taxpayers should seek out reputable tax preparers. People should be wary of tax preparers who offer larger refunds based on EITC fraud or make other enticements based on EITC. False EITC returns have serious consequences and deliberate inaccuracies can result in a lengthy ban on eligibility.

This year, the IRS also will keep 70 Taxpayer Assistance Centers open the first three Saturdays during February to help prepare EITC returns. These will be located in areas underserved by volunteer tax preparation sites.

Tax preparers and taxpayers can find a wealth of information at IRS.gov. Both can use the EITC Assistant at www.irs.gov/eitc which is an easy-to-use interactive tool to help determine if the taxpayer is qualified for EITC. This step-by-step online program helps answer questions about eligibility, filing status, qualifying children and credit amount. The EITC Assistant also is available in Spanish.

In addition to on-line tools, the IRS also produces Publication 596, Earned Income Credit, which explains all the eligibility rules and also includes a worksheet to determine eligibility. The publication is available in English and Spanish.

There also is an electronic press kit for the media available at www.irs-eitc.info. This kit provides state-by-state EITC statistics; lists the states that provide local EITC benefits and provides other information of interest.