

IRS News Release

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IRS Marks EITC Awareness Day; Highlights Expanded Tax Credit

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WASHINGTON — An expanded Earned Income Tax Credit (EITC) means larger families will qualify for a larger credit, offering greater relief for people who struggled through difficult financial times last year, the Internal Revenue Service said today.

The IRS and the Treasury Department marked EITC Awareness Day as their partners nationwide worked to highlight the availability of this important tax credit. EITC, which is in its thirty-fifth year, is one of the federal government's largest benefit programs for working families and individuals. Last year, nearly 24 million people received \$50 Billion in benefits. The average credit was more than \$2,000.

"As part of the economic recovery efforts, there have been important changes to expand EITC to benefit taxpayers," said IRS Commissioner Doug Shulman. "Today, more than ever, hard-working individuals and families can use a little extra help. EITC can make the lives of working people a little easier."

Eligibility for EITC depends on earned income and family size, among other tests. However, single people and childless workers also are eligible, although for smaller amounts. For tax years 2009 and 2010, the American Recovery and Reinvestment Act created a new category for families with three or more children and expanded the maximum benefit for this category.

To qualify for the EITC, earned income and adjusted gross income (AGI) for individuals must each be less than:

- \$43,279 (\$48,279 married filing jointly) with three or more qualifying children
- \$40,295 (\$45,295 married filing jointly) with two qualifying children
- \$35,463 (\$40,463 married filing jointly) with one qualifying child
- \$13,440 (\$18,440 married filing jointly) with no qualifying children

The maximum credit for tax year 2009 is:

- \$5,657 with three or more qualifying children

- \$5,028 with two qualifying children
- \$3,043 with one qualifying child
- \$457 with no qualifying children

The maximum amount of investment income is \$3,100 for tax year 2009. For families, there are also certain requirements for child residency and relationship that must be met. Additional eligibility information is available in FS-2010-11 and on the Web at IRS.gov/EITC.

Another new provision adds to the definition of a “qualifying child:” The child must be younger than the person claiming the child unless the child is totally and permanently disabled any time during the year. The child cannot have filed a joint return other than to claim a refund. Also new for 2009, if a qualifying child can be claimed by either a parent or another person, the other person must have an AGI higher than the parent in order to claim the child for EITC purposes.

Historically, one in four eligible taxpayers fails to claim the EITC, which is why the IRS and its free tax preparation partners host an annual EITC Awareness Day. This year, there are 68 news conferences being held around the country. Community coalitions and IRS partners nationwide also are also issuing 128 news releases, writing letters to the editor and using social media tools to spread the word about EITC.

Typically, people who fail to claim the EITC include workers without qualifying children, people whose earned income falls below the threshold required to file a tax return, farmers, rural residents, people with disabilities and nontraditional families such as grandparents raising grandchildren. People must file a tax return to claim the EITC.

Free help is available to EITC-eligible taxpayers. There are nearly 12,000 free tax preparation sites nationwide. People who want to prepare their own tax returns can visit Free File on IRS.gov. This free tax software and free electronic filing program will walk taxpayers through a question and answer format and help them claim the tax credits and deductions for which they are eligible.

EITC-eligible taxpayers also can seek assistance at the 400 IRS Taxpayer Assistance Centers nationwide. To assist EITC taxpayers, 167 IRS assistance centers will offer Saturday service on Jan. 30, Feb. 6 and Feb. 20. A list is attached.

There is an online EITC Assistant also available on IRS.gov which can help taxpayers and tax preparers determine eligibility. And, for tax preparers and IRS partners, there is EITC Central which has links to toolkits that include marketing products.

More than 65 percent of EITC returns are prepared by a third party. The IRS urges taxpayers to choose a reputable tax preparer to avoid problems that come with an inaccurate tax return. The agency also urges tax preparers to follow due diligence requirements when preparing an EITC tax return. More information is available at www.irs.gov/eitc.