



## Notice 797

(Rev. October 1997)

# Possible Federal Tax Refund Due to the Earned Income Credit (EIC)

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### What Is the EIC?

The EIC is a refundable tax credit for certain workers. For 1997, the EIC can be as much as \$2,210 if you have one qualifying child; \$3,656 if you have more than one qualifying child; \$332 if you don't have a qualifying child.

**Who is a qualifying child?** Any child who meets **all three** of the following conditions is a **qualifying child**.

1. The child is your son, daughter, adopted child, stepchild, foster child, or a descendant (for example, your grandchild) of your son, daughter, or adopted child. A child who is married at the end of 1997 generally must be claimed as your dependent to be a qualifying child.
2. The child was under age 19 at the end of 1997, or under age 24 at the end of 1997 and a full-time student, or any age at the end of 1997 and permanently and totally disabled.
3. The child lived with you in the United States for over half of 1997 (for all of 1997 if a foster child). If the child didn't live with you for the required time because the child was born or died in 1997, the child is considered to have lived with you for all of 1997 if your home was the child's home for the entire time he or she was alive in 1997.

**A change to note.** You **cannot** claim the EIC if your 1997 investment income (such as interest, dividends, and net nonbusiness income from rents and royalties) is over \$2,250. See your 1997 income tax return instructions for more information.

### Who May Claim the EIC

You may be able to claim the EIC for 1997 if you worked and **all three** of the following conditions apply. But you **cannot** claim the EIC if you file either **Form 2555** or **Form 2555-EZ** (relating to foreign earned income). You also **cannot** claim the EIC if you are a nonresident alien for any part of 1997 unless you are married to a U.S. citizen or resident and elect to be taxed as a resident alien for the entire year.

1. Your 1997 earned income and adjusted gross income (modified adjusted gross income if you file Form 1040) are both under \$25,760 if you have one qualifying child; under \$29,290 if you have more than one qualifying child; under \$9,770 if you don't have a qualifying child.

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**Note:** *Earned income* for this purpose does not include amounts inmates in penal institutions are paid for their work. **Adjusted gross income** generally is the total of your wages, interest, dividends, alimony received, and certain other income minus the total of your allowable deductions for contributions to an IRA, alimony paid, and certain other deductions. See the 1997 Form 1040 instructions for the definition of modified adjusted gross income.

2. Your filing status is any status **except** married filing a separate return.

3. You (and your spouse if filing a joint return) were not a qualifying child of another person.

If you **do not** have a qualifying child, you must also meet these conditions.

- You (or your spouse if filing a joint return) were at least age 25 but under age 65 at the end of 1997.
- You (and your spouse if filing a joint return) cannot be claimed as a dependent on someone else's 1997 tax return.
- Your home (and your spouse's if filing a joint return) was in the United States for over half of 1997.

**Note:** *If you are in the military on extended active duty outside the United States, your home is considered to be in the United States during that duty period and you may be able to claim the EIC.*

**More information?** See the 1997 instructions for Form 1040, 1040A, or 1040EZ and **Pub. 596**, Earned Income Credit. You can get these items from IRS offices or by calling 1-800-829-3676.

## How To Claim the EIC

If you are eligible, claim the EIC on your 1997 tax return. If you have a qualifying child, you must fill in **Schedule EIC** and attach it to your return. You must show the child's social security number on Schedule EIC.

If eligible, you can claim the EIC to get a refund even if you have no tax withheld from your pay or owe no tax. For example, if you had no tax withheld in 1997 and owe no tax but are eligible for a credit of \$797, you **must file a 1997 return** to get the \$797 refund.

**EIC with your pay.** If you have a qualifying child and are eligible to claim the EIC for 1998, you may be able to get part of it in advance with your pay. For details, get **Form W-5**, Earned Income Credit Advance Payment Certificate, from your employer or by calling 1-800-829-3676. If you get the EIC with your pay, you must file a 1998 tax return.

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