



Notice 797

(Rev. December 1999)

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

What Is the EIC?

The EIC is a refundable tax credit for certain workers.

A change to note. You **cannot** claim the EIC if your 1999 investment income (such as interest and dividends) is over \$2,350. See your 1999 income tax return instructions for more information.

Who May Claim the EIC

You may be able to claim the EIC for 1999 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 1999 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 1999 earned income and modified AGI (adjusted gross income) are both under \$26,928 if you have one qualifying child; under \$30,580 if you have more than one qualifying child; under \$10,200 if you do not have a qualifying child.

Note: *Earned income for this purpose does not include amounts paid to inmates in penal institutions for their work. For most people, modified AGI is the total of adjusted gross income plus any tax-exempt interest. But see the 1999 revision of Pub. 596, Earned Income Credit, to figure your modified AGI if you received a distribution from a pension, annuity, or IRA that is not fully taxable; or you file Form 1040. To find out who is a **qualifying child**, see the back of this notice.*

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 1999.
- You, and your spouse if filing a joint return, cannot be claimed as a dependent on someone else's 1999 tax return.

- Your home, and your spouse's if filing a joint return, was in the United States for over half of 1999.

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 1999 instructions for Form 1040, 1040A, or 1040EZ, and Pub. 596. You can get these items from IRS offices or by calling 1-800-829-3676.

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, grandchild, stepchild, or foster child (any child you cared for as your own child). A child who is married at the end of 1999 generally must be claimed as your dependent to be a qualifying child.
2. The child was under age 19 at the end of 1999, or under age 24 at the end of 1999 and a full-time student, or any age at the end of 1999 and permanently and totally disabled.
3. The child lived with you in the United States for over half of 1999 or, if a foster child, for all of 1999. If the child did not live with you for the required time because the child was born or died in 1999, the child is considered to have lived with you for all of 1999 if your home was the child's home for the entire time he or she was alive in 1999.

How To Claim the EIC

If you are eligible, claim the EIC on your 1999 tax return. If you have a qualifying child, you must also fill in **Schedule EIC** and attach it to your return.

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 1999 and owe no tax but are eligible for a credit of \$791, you **must file a 1999 return** to get the \$791 refund.

EIC with your pay. If you expect to have a qualifying child and be eligible to claim the EIC for 2000, 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 the IRS at 1-800-829-3676. If you get the EIC with your pay, you must file a 2000 tax return.

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