

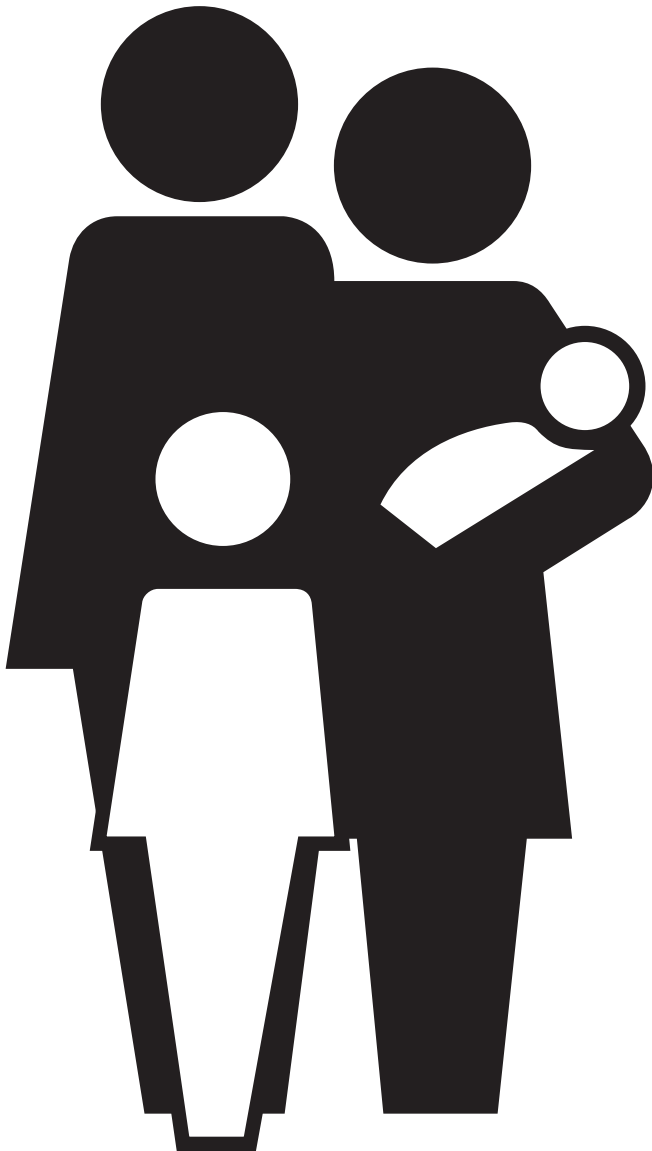


Department of the Treasury  
Internal Revenue Service

Publication 596  
Cat. No. 15173A

# Earned Income Credit

For use in preparing  
1998 Returns



# *The Government May Owe You Money!!*

In 1998, if You...

- Earned less than \$26,473 and have one qualifying child living with you,

or

- Earned less than \$30,095 and have more than one qualifying child living with you,

or

- Earned less than \$10,030 and do not have a qualifying child



Then you may be able to get the Earned Income Credit. You also may be able to get the Advanced Earned Income Credit in your paycheck.

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## Important Changes for 1998

**Earned income credit is more.** The maximum amount of credit has increased for 1998. The most you can receive is:

- \$2,271 with one qualifying child,
- \$3,756 with more than one qualifying child, or
- \$341 without a qualifying child.

**Earned income amount is more.** The amount you can earn and still get the credit has increased for 1998. The amount you earn must be less than:

- \$26,473 with one qualifying child,
- \$30,095 with more than one qualifying child, or

- \$10,030 without a qualifying child.

**Investment income amount is more.** The maximum amount of investment income you can have and still get the credit has increased for 1998. You can have investment income up to \$2,300. For most people, investment income is taxable interest and dividends, tax-exempt interest, and capital gain net income. To get more detailed information, see rule A-2 on page 7.

**Modified AGI (adjusted gross income).** Beginning in 1998, your modified AGI used to limit your credit includes:

- 1) Tax-exempt interest, and
- 2) The nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution, except any amount that is nontaxable because it was a trustee-to-trustee transfer or a rollover distribution.

Also, the amount of business losses that must be added back to AGI to figure modified AGI has increased from 50% to 75%. See rule B-1 on page 10 or rule C-1 on page 13.

**New form to claim credit after disallowance.** You will now have to file Form 8862, *Information To Claim Earned Income Credit After Disallowance*, to claim the earned income credit if you have been denied the credit as a result of deficiency procedures. See Part F on page 25.

**Workfare payments.** Earned income does not include workfare payments. See *Workfare payments* on page 6, under *What Counts as Earned Income?* for more information.

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## Important Reminders

**Advance payment of the earned income credit in your paycheck.** If you qualify for the earned income credit in 1998, you can receive part of it in each paycheck throughout the year. See Part E on page 25.

**Earned income credit has no effect on certain welfare benefits.** The earned income credit and advance earned income credit payments you receive will not be used to determine whether you are eligible for the following benefit programs, or how much you can receive from these programs.

- Temporary assistance for needy families.
- Medicaid and supplemental security income (SSI).
- Food stamps and low-income housing.

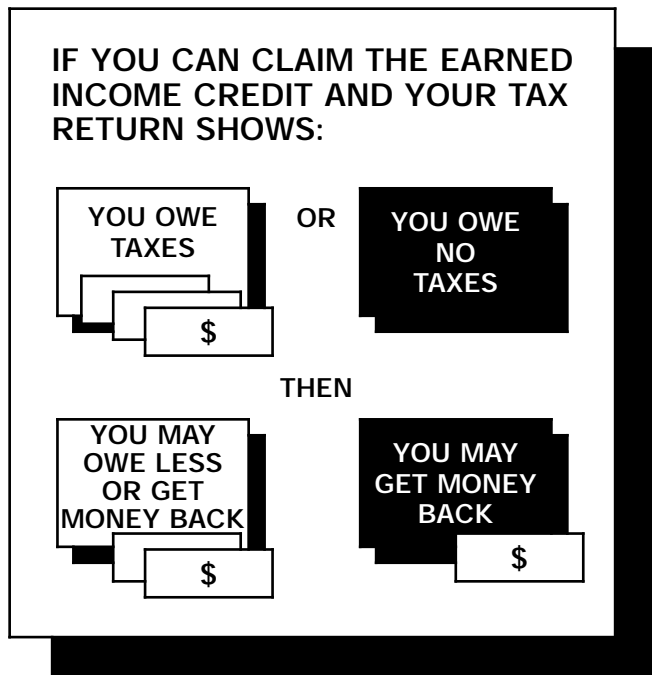
**Social security number.** You must provide a correct and valid social security number (SSN) for yourself, your spouse, and any qualifying children. If an SSN is missing or incorrect, you may not get the credit. See rule A-4 on page 8.

## Introduction

The earned income credit is a special credit for certain people who work. The credit reduces the amount of income tax you owe (if any) and is intended to offset some of the increases in living expenses and social security taxes.

**How do you get the earned income credit?** To get the earned income credit you must:

- 1) Qualify by meeting certain rules, and
- 2) File a tax return, even if you:
  - a) Do not owe any tax,
  - b) Did not earn enough money to file a return, or
  - c) Did not have income taxes withheld from your pay.



When you complete your return, you can figure your earned income credit by using a worksheet in the instructions for the return. Or, if you prefer, you can let the IRS figure the credit for you.

**How will this publication help you?** This publication will help you decide if you qualify for the earned income credit. It explains:

- What rules you must meet to qualify for the credit,
- How to figure the credit, and
- How to get advance payment of the credit in your paycheck.

To learn about the rules you must meet, first read *Do You Qualify for the Credit?*.

**Earned income credit disallowed.** If your credit has been disallowed because of deficiency procedures, you will have to file Form 8862 to claim the credit again. See Part F for more information.

## Do You Qualify for the Credit?

To qualify for the earned income credit, you must meet certain rules. These rules are explained in Part A, *Rules for Everyone*, Part B, *More Rules If You Have a Qualifying Child*, and Part C, *More Rules If You Do Not Have a Qualifying Child*. You qualify for the credit if you meet all the rules in each part that applies to you.

- If you have a qualifying child, the rules in Parts A and B apply to you.
- If you do not have a qualifying child, the rules in Parts A and C apply to you.

## Do You Have a Qualifying Child?

Basically, a qualifying child is a child who:

- 1) Is your son, daughter, adopted child, grandchild, stepchild, or eligible foster child, **and**
- 2) Was (at the end of 1998) under age 19, under age 24 and a full-time student, or any age and permanently and totally disabled during the year, **and**
- 3) Lived with you in the United States for more than half of 1998 (for all of 1998 if the child is your eligible foster child).

See rule B-2, *Qualifying Child*, on page 10 for more detailed information.

## Table 1. Earned Income Credit at a Glance

Use Table 1 as a guide to Parts A, B, and C. The table is a summary list of all the rules in each part. Each rule listed has a rule number. Use this rule number to find a more detailed discussion of that rule in this publication.

## Part A. Rules for Everyone

This part of the publication discusses rules A-1 through A-7. You must meet all seven rules to qualify for the earned income credit. If you do not meet all seven rules, you cannot get the credit and you do not need to read the rest of the publication.

If you meet all seven rules in this part, then read either Part B or Part C (whichever applies) for more rules you must meet.

### A-1. Earned Income

This credit is called the “earned income credit” because, to qualify, you must work and have earned income. If you are married and file a joint return, you meet this rule if at least one spouse works and has earned income.

**Table 1. Earned Income Credit at a Glance**

*(Use as a guide to Parts A, B, and C)*

| <b>Part A</b><br><b>Rules for Everyone</b>  | <b>Part B</b><br><b>More Rules If You Have a Qualifying Child</b>  | <b>Part C</b><br><b>More Rules If You Do Not Have a Qualifying Child</b>  |
|---|--|---|
| <ul style="list-style-type: none"> <li><input type="checkbox"/> You must have earned income. (See <b>rule A-1</b> on page 3)</li> <li><input type="checkbox"/> Your investment income cannot be more than \$2,300. (See <b>rule A-2</b> on page 7)</li> <li><input type="checkbox"/> Your filing status cannot be "Married Filing Separately." (See <b>rule A-3</b> on page 8)</li> <li><input type="checkbox"/> You must have a social security number. (See <b>rule A-4</b> on page 8)</li> <li><input type="checkbox"/> Neither you nor your spouse can be a qualifying child of another person. (See <b>rule A-5</b> on page 9)</li> <li><input type="checkbox"/> You cannot file a Form 2555, <i>Foreign Earned Income</i> (or Form 2555-EZ, <i>Foreign Earned Income Exclusion</i>). (See <b>rule A-6</b> on page 9)</li> <li><input type="checkbox"/> You cannot be a nonresident alien for any part of the year. (See <b>rule A-7</b> on page 9)</li> </ul> | <ul style="list-style-type: none"> <li><input type="checkbox"/> Your earned income and modified adjusted gross income (AGI) must each be less than:                             <ul style="list-style-type: none"> <li>● \$26,473 if you have one qualifying child, or</li> <li>● \$30,095 if you have more than one qualifying child.</li> </ul>                             (See <b>rule B-1</b> on page 10)                         </li> <li><input type="checkbox"/> You must have a qualifying child. (See <b>rule B-2</b> on page 10)</li> <li><input type="checkbox"/> Your qualifying child cannot be the qualifying child of another person whose modified AGI is higher than yours. (See <b>rule B-3</b> on page 12)</li> </ul> | <ul style="list-style-type: none"> <li><input type="checkbox"/> Your earned income and modified AGI must each be less than \$10,030. (See <b>rule C-1</b> on page 13)</li> <li><input type="checkbox"/> You (or your spouse, if filing a joint return) must be at least age 25 but under age 65. (See <b>rule C-2</b> on page 13)</li> <li><input type="checkbox"/> Neither you nor your spouse can be eligible to be claimed as a dependent on another person's return. (See <b>rule C-3</b> on page 13)</li> <li><input type="checkbox"/> Your main home must be in the United States for more than half of the year. (See <b>rule C-4</b> on page 14)</li> </ul> |

**Figuring your total earned income.** You can figure your total earned income on the **Earned Income Credit Worksheet** (EIC Worksheet) in your tax return instructions for:

- Lines 59a and 59b (Form 1040),
- Lines 37a and 37b (Form 1040A), or
- Lines 8a and 8b (Form 1040EZ).

If you file Form 1040, complete lines 1 through 6 of the EIC worksheet to figure your total earned income.

If you file Form 1040A or Form 1040EZ, complete lines 1 through 5.

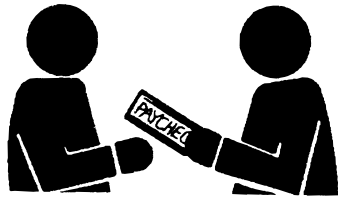


*If the total of your taxable and nontaxable earned income is \$26,473 or more (if you have one qualifying child), \$30,095 or more (if you have more than one qualifying child), or \$10,030 or more (if you do not have a qualifying child), print "No" directly to the right of line 59a (Form 1040) or line 37a (Form 1040A), or to the right of the word "below" on line 8b (Form 1040EZ).*

## There Are Two Ways To Get Earned Income. You Must Work:

1)

For Someone  
Who Pays You



or

2)

In A Business  
You Own



## What Counts as Earned Income?

Earned income includes all the income you get from working—even if it is not taxable. Enter any nontaxable earned income on line 4 of the EIC Worksheet. If you claim the earned income credit, also enter any nontaxable earned income on Form 1040, line 59b (Form 1040), line 37b (Form 1040A), or line 8b (Form 1040EZ). (But see the “caution” under *Special procedures for a minister or a member of a religious order*, under *What Counts as Earnings from Self-Employment?*, on page 6.)



*If you are married, filing as head of household (see rule A-3), and live in a state that has community property laws, your earned income for the credit does not include any amount earned by your spouse that is treated as belonging to you under those laws. That amount is not earned income for the credit even though you must include it in your gross income on your income tax return.*

For some examples of items that are included or not included in earned income, see Table 2, *Examples of Earned Income for the Earned Income Credit*, on page 7. Some of the items listed are discussed in more detail later. Earnings from self-employment are discussed separately.

**Special note for household employees.** If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998, be sure to include the amount you were paid on line 7 (Form 1040 or 1040A) or line 1 (Form 1040EZ). Print “HSH” and the amount not reported on Form W-2 on the dotted line next to line 7 (Form 1040), or in the

space to the left of line 7 (Form 1040A), or in the space to the right of the words “W-2 form(s)” on line 1 (Form 1040EZ).

**U.S. military pay.** Combat zone excluded pay, basic quarters and subsistence allowances, and the value of in-kind quarters and subsistence are all earned income that is not taxed but must be used when you figure the earned income credit. These amounts will be on your W-2 in box 13 under code “Q.” See Publication 3, *Armed Forces' Tax Guide*, for more detailed information.

**Disability benefits.** If you retired on disability, benefits you receive under your employer's disability retirement plan are considered earned income until you reach minimum retirement age. Minimum retirement age generally is the earliest age at which you could have received a pension or annuity if you were not disabled. You must report your taxable disability payments on line 7 of either Form 1040 or Form 1040A until you reach minimum retirement age.

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension and are not considered earned income. Report taxable pension payments on Form 1040, lines 16a and 16b (or Form 1040A, lines 11a and 11b).

**Salary reductions under cafeteria plans.** If your employer offers a benefit plan that allows you to choose among two or more benefits consisting of cash and benefits that are not taxed, you are probably participating in a cafeteria plan. If you choose a benefit that is not taxed (such as accident and health insurance), the amount of the salary reduction (because you did not choose cash) is earned income when figuring this credit.

**Earnings while an inmate.** Amounts paid to inmates in penal institutions for their work are not earned income when figuring the earned income credit. These amounts include amounts received through a work release program or while in a halfway house. If the total on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ) includes this income, do not enter that total on line 1 of the EIC Worksheet. Instead, subtract that income from the total and enter the result on line 1 of the EIC Worksheet. Also, print “PRI” and the amount subtracted on the dotted line next to line 7 (Form 1040), or in the space to the left of line 7 (Form 1040A), or in the space to the right of the words “W-2 form(s)” on line 1 (Form 1040EZ).

**Native Americans.** Income received by Native Americans that is exempt from federal income tax under the Internal Revenue Code or because of a treaty, agreement, Act of Congress, or other federal law is earned income for the credit if it is compensation for services performed as an employee. However, nontaxable income received for performing services as a self-employed individual is not earned income when figuring the earned income credit.

**Workfare payments.** Earned income does not include workfare payments. These are cash payments certain families receive from a state or local agency that administers public assistance programs funded under the Federal Temporary Assistance for Needy Families program in return for (1) work experience activities (including remodeling or repairing public housing) if sufficient private sector employment is not available, or (2) community service program activities. If the total on line 7 of Form 1040 or 1040A, or line 1 of Form 1040EZ, includes such income, subtract that income from the amount on line 7 of Form 1040 or 1040A, or line 1 of Form 1040EZ. Also, enter "WP" and the amount subtracted on the dotted line next to line 7 of Form 1040, in the space to the left of line 7 of Form 1040A, or to the right of the words "W-2 form(s)" on line 1 of Form 1040EZ.

## What Counts as Earnings from Self-Employment?

Your earnings from self-employment are earned income for the credit. You may have earnings from self-employment if:

- You own your business,
- You are a minister or member of a religious order, or
- You reported income and expenses on Schedule C or C-EZ (Form 1040) as a statutory employee.

Enter your earnings (or loss) from self-employment on line 5 of the EIC Worksheet. Figure the amount to enter on line 5 by completing the separate worksheet for that line in the Form 1040 instructions for lines 59a and 59b.

**Statutory employee's earnings.** If you reported income and expenses on Schedule C or C-EZ (Form 1040) as a statutory employee, your earnings from self-employment are the amount on line 1 of either schedule. Enter that amount on line 3 of the separate worksheet for line 5 of the EIC Worksheet.

**Other earnings.** Your earnings from self-employment in a business you own, or from your services as a minister or member of a religious order, are earned income for the credit. You must include these earnings in earned income even if your net earnings are less than \$400. (But if you are a minister or member of a religious order, see *Approved Form 4361* or *Approved Form 4029*, later.)

If you have a loss from self-employment, you must subtract the loss from your other earned income.



*If your net earnings from self-employment are \$400 or more, be sure to correctly fill out Schedule SE (Form 1040) and pay the proper amount of self-employment tax. If you do not, you may not get all the earned income credit you are entitled to.*

**Schedule SE.** If you are filing Schedule SE (Form 1040), your earnings from self-employment are the amount you get after you subtract one-half of your self-employment tax (Form 1040, line 27) from your net

profit (Schedule SE, line 3 of either Section A or Section B, whichever applies). You figure this amount on lines 1a through 1e of the separate worksheet for line 5 of the EIC Worksheet.



*Using the optional methods on Schedule SE to figure your net earnings from self-employment may qualify you for the earned income credit or give you a larger credit if your net earnings (determined without using the optional methods) are less than \$1,600. If you use the optional methods, you increase your earnings from self-employment by adding the amount from line 4b of Section B, Schedule SE, to your net profit. See Publication 533, Self-Employment Tax, and the instructions for Schedule SE for details.*

**If you do not have to file Schedule SE.** If you do not have to file Schedule SE (for example, because your net earnings from self-employment are less than \$400), your earnings (or loss) from self-employment are the net profit or loss from your self-employment activities. Enter this amount on line 2a or 2b of the separate worksheet for line 5 of the EIC Worksheet. (But if you are a minister or member of a religious order, see *Approved Form 4361* or *Form 4029*, later.)

**Special procedures for a minister or member of a religious order.** If you file Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on Form 1040, line 7, follow these special procedures.

- 1) If you claim the credit, print "**Clergy**" to the right of line 59a, Form 1040. Also show the amount included on both lines (for example, "Clergy \$800").
- 2) Determine how much of the income reported on Form 1040, line 7, was also reported on Schedule SE, line 2.
- 3) Subtract that income from the amount on Form 1040, line 7. Enter only the result on line 1 of the EIC Worksheet.
- 4) Complete the separate worksheet for line 5 in the Form 1040 instructions for lines 59a and 59b.



*If you received a housing allowance or were provided housing, **do not** include the allowance or rental value of the parsonage as nontaxable earned income on line 4 of the EIC Worksheet (or on line 59b, Form 1040) if it is required to be included on Schedule SE, line 2.*

**Approved Form 4361 or Form 4029.** This section is for persons who have an approved:

- Form 4361, *Application for Exemption from Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners*, or
- Form 4029, *Application for Exemption from Social Security and Medicare Taxes and Waiver of Benefits*.

Each approved form exempts certain income from the self-employment tax. Each form is discussed in this

Table 2. Examples of Earned Income for the Earned Income Credit

| Earned Income  |  |
|--|--|
| Includes:  | Does not include:  |
| <p>Taxable earned income (Enter on EIC Worksheet, Line 1):</p> <ul style="list-style-type: none"> <li>Wages, salaries, and tips</li> <li>Union strike benefits</li> <li>Long-term disability benefits received prior to minimum retirement age</li> <li>Earnings from self-employment (enter on line 5 of the Form 1040 EIC Worksheet)</li> </ul>  | <ul style="list-style-type: none"> <li>Interest and dividends</li> <li>Social security and railroad retirement benefits</li> <li>Welfare benefits</li> <li>Workfare payments</li> <li>Pensions or annuities</li> <li>Veterans' benefits (including VA rehabilitation payments)</li> <li>Workers' compensation benefits</li> </ul>                    |
| <p>Nontaxable earned income (Enter on EIC Worksheet, line 4):</p> <ul style="list-style-type: none"> <li>Salary deferrals (for example: under a 401(k) plan or the Federal Thrift Savings Plan)</li> <li>Combat zone excluded pay (box 13, code Q, of your W-2)</li> <li>Basic quarters and subsistence allowances and in-kind quarters and subsistence for the U.S. Military (box 13, code Q, of your W-2)</li> <li>The value of meals or lodging provided by an employer for the convenience of the employer</li> <li>Housing allowance or rental value of a parsonage for the clergy (see "Minister or member of a religious order" in Part D)</li> <li>Excludable dependent care benefits (line 18 of either Form 2441 or Schedule 2)</li> <li>Salary reductions such as under a cafeteria plan</li> <li>Anything else of value you get from someone for services you performed even if it is not taxable</li> </ul> | <ul style="list-style-type: none"> <li>Alimony</li> <li>Child support</li> <li>Unemployment compensation (insurance)</li> <li>Taxable scholarship or fellowship grants that are not reported on Form W-2</li> <li>Variable housing allowance for the military</li> <li>Earnings for work performed while an inmate at a penal institution</li> </ul> |

section in terms of what is or is not earned income for purposes of the earned income credit.

**Form 4361.** If you have an approved Form 4361, amounts you received for performing ministerial duties as an employee are earned income. This includes wages, salaries, tips, and other employee compensation. Other employee compensation includes nontaxable compensation such as housing allowances or the rental value of a parsonage that you receive as part of your pay for services as an employee.

Amounts you received in the exercise of ministerial duties, but not as an employee, are not earned income. Examples include fees for performing marriages and honoraria for delivering speeches.

Any compensation you received from an undertaking unrelated to the ministry is earned income. This is so, whether you received the amounts as an employee or as a self-employed individual.

**Form 4029.** If you have an approved Form 4029, all wages, salaries, tips, and other employee compensation are earned income. Amounts you received as

a self-employed individual are not earned income. Also, losses from Schedule C, C-EZ, or F cannot be subtracted from wages on line 7 of Form 1040.

## A-2. Investment Income Limit

You cannot claim the earned income credit if your investment income is more than \$2,300. For most people, investment income is the total of the following amounts.

- Taxable interest (line 8a of Form 1040 or 1040A).
- Tax-exempt interest (line 8b of Form 1040 or 1040A).
- Dividend income (line 9 of Form 1040 or 1040A).
- Capital gain net income. (For this purpose only, capital gain net income is the amount on line 13 of Form 1040 minus any amount on line 9, column (g), of Form 4797, *Sales of Business Property*. If this capital gain net income is less than zero, disregard

it. Do not use it to reduce your other investment income.)

However, if you are reporting income from the rental of personal property on Form 1040, line 21, investment income also includes that income in excess of the total deductible related expenses. If you are filing Schedule E (Form 1040), *Supplemental Income and Loss*, investment income also includes the following amounts.

- Royalty income on Schedule E, line 4, in excess of the total related expenses on line 21 of that schedule.
- Income from passive activities (included on Schedule E, lines 26, 28a (col. (h)), 33a (col. (d)), and 39) in excess of the losses from passive activities (included on Schedule E, lines 26, 28b (col. (g)), 33b (col. (c)), and 39). But **do not** take into account any royalty income or (loss) included on line 26 of Schedule E or any amount included in your taxable earned income. To find out if the income on line 26 or line 39 of Schedule E is from a passive activity, see the Schedule E instructions.



*If any of the rental real estate income or (loss) included on Schedule E, line 26, is not from a passive activity, print "NPA" and the amount of that income or (loss) on the dotted line next to line 26.*

### A-3. Married Person's Filing Status

If you are married, you usually must file a joint return to claim the earned income credit. Your filing status cannot be "Married filing separately."

**Exception for head of household.** You do not have to file a joint return if you can file as head of household. To file as head of household:

- 1) Your spouse must not have lived in your home at any time during the last 6 months of the year,
- 2) You must have paid more than half the cost to keep up your home for the entire year, and
- 3) Your home must have been, for more than half of the year, the main home of your child, adopted child, stepchild, or foster child for whom you can claim an exemption.

You will meet (3) even if you cannot claim an exemption for your child because:

- You gave that right to the other parent by filling out **Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents**, or similar written statement, or
- You gave that right to the other parent in a pre-1985 agreement (decree of divorce or separate maintenance or written agreement).

For more information about filing as head of household, see the instructions for Form 1040 or Form 1040A.

If a child who qualifies you for head of household filing status also meets the requirements of a qualifying

child, you may be able to take the credit under the rules in Parts A and B.

**Example 1.** You are married and lived apart from your spouse all year. You earned \$8,000 and your 19-year-old son lived with you all year. You provided more than half the cost of keeping up your home. Your son had a part-time job and earned \$2,000. He was not a full-time student or permanently and totally disabled. You qualify for the "head of household" filing status and claim your son as a dependent. You can get the earned income credit only if you meet all the rules in Parts A and C. You cannot use the rules in Part B because your son is not a qualifying child.

**Example 2.** The facts are the same as in Example 1, except your son is 18. In this case, your son is your dependent and a qualifying child. You qualify for the credit if you meet the rules in Parts A and B.

### A-4. Social Security Number (SSN)

To claim the earned income credit, you **must** have a valid SSN for you, your spouse (if filing a joint return), and your qualifying child.

An SSN is a number issued by the Social Security Administration to a U.S. citizen or to a person who has permission from the Immigration and Naturalization Service to work in the United States. You cannot get the earned income credit if the SSN was issued solely for use in applying for or receiving federally funded benefits. If your social security card says "Not valid for employment" you cannot get the earned income credit.



*If an SSN for you, your spouse, or qualifying child is missing from your tax return or is incorrect, you may not get the credit.*

**Other taxpayer identification numbers.** You cannot get the credit if, instead of an SSN, you, your spouse, or your qualifying child has:

- An individual taxpayer identification number (ITIN), which is issued to a noncitizen who cannot get an SSN, or
- An adoption taxpayer identification number (ATIN), which is issued for a child to adopting parents who cannot get an SSN for the child being adopted until the adoption is final.

**Getting an SSN.** If you, your spouse, or your child does not have an SSN, apply for one by filing **Form SS-5** with the Social Security Administration.

**Qualifying child's SSN.** Enter the SSN for your qualifying child on Schedule EIC, line 4. If your qualifying child is your dependent, also enter the SSN on line 6c of Form 1040 or Form 1040A.

**Birth and death of your child.** If your child was born and died in 1998 and did not have an SSN, attach a copy of the child's birth certificate and enter "Died" on line 4 of Schedule EIC.

**Filing deadline approaching and still no SSN.** If the filing deadline is approaching and you still do not have an SSN, you have two choices.



- 1) Request an automatic 4-month extension (Form 4868). This extension does not give you extra time to pay any tax owed. You should pay any amount you expect to owe to avoid interest or penalty charges. (See the instructions for Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*.)
- 2) File the return on time without claiming the earned income credit. After receiving the SSN, file an amended return (Form 1040X) claiming the credit, and attach a filled-in Schedule EIC (if you have a qualifying child).

## A-5. Qualifying Child of Another Person

If you (or your spouse if filing a joint return) are a qualifying child of another person, you cannot claim the earned income credit.

**Are you a qualifying child?** Basically, you are a qualifying child of another person (your parent, guardian, foster parent, etc.) if:

- You are that person's son, daughter, adopted child, stepchild, grandchild, or eligible foster child,
- At the end of the year you were under age 19, under age 24 and a full-time student, or any age and permanently and totally disabled, **and**
- You lived with that person in the United States for more than half of the year (all year if you were an eligible foster child). For the earned income credit, U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period.

See rule B-2, *Qualifying Child*, on page 10 if you need further information.

**Example 1.** You lived with your mother all year. You are age 26 and permanently and totally disabled. Your only income was from a community center where you went twice a week to answer telephones. You earned \$1,500 for the year.

You are a qualifying child of your mother. She can claim the credit if she meets all the rules in Parts A and B. Because you are a qualifying child of your mother, you cannot claim the earned income credit even if you meet all the other rules in Parts A and C. This is so even if your mother cannot claim the credit because her income is too high.

**Example 2.** You and your daughter lived with your mother all year. You are 22 years old and attended a trade school full time. You had a part-time job and earned \$5,700. You had no other income.

Your daughter is your qualifying child, but both you and your daughter are qualifying children of your mother. Your mother can claim the earned income

credit if she meets all the rules in Parts A and B. Because you are your mother's qualifying child, you cannot claim the earned income credit even if you meet all the other rules in Parts A and B. This is so even if your mother cannot claim the credit because her income is too high.



*If you (or your spouse if filing a joint return) were a qualifying child of another person in 1998, enter "No" directly to the right of line 59a (Form 1040) or 37a (Form 1040A), or to the right of the word "below" on line 8b (Form 1040EZ).*

## A-6. Foreign Earned Income

You cannot claim the earned income credit if you file Form 2555, *Foreign Earned Income*, or Form 2555-EZ, *Foreign Earned Income Exclusion*. You file these forms to exclude income earned in foreign countries from your gross income, or to deduct or exclude a foreign housing amount. U. S. possessions are not foreign countries. See Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, for more detailed information.

## A-7. Nonresident Alien

You cannot claim the earned income credit if you are a nonresident alien for any part of the year, unless:

- 1) You are married to a U.S. citizen or a resident alien, **and**
- 2) You choose to be treated as a resident for all of 1998.



*If you make the choice in (2) above, you and your spouse are taxed on your worldwide income. You cannot claim any tax treaty benefits as a resident of a foreign country during a tax year in which the choice is in effect.*

**How to make the choice.** To make the choice, file a joint return for the first tax year for which the choice applies and attach a statement signed by both spouses. The statement should contain the following:

- A declaration that one spouse was a nonresident alien and the other spouse was a U.S. citizen or resident alien on the last day of your tax year, and that you choose to be treated as a U.S. resident for all of 1998, and
- The name, address, and social security number of each spouse.

For more information on making this choice, get Publication 519, *U.S. Tax Guide for Aliens*.



*If you make the choice and qualify for the earned income credit, you must have social security numbers for you, your spouse, and any qualifying children. See rule A-4, Social Security Number (SSN), on page 8 for more information.*

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## Part B. More Rules If You Have a Qualifying Child

Use this *Part B* if you:

- 1) Have a qualifying child, and
- 2) Have met all the rules in *Part A*.

This part of the publication discusses rules B-1 through B-3. You must meet all three rules, in addition to the rules in Part A, to qualify for the earned income credit with a qualifying child.

If you meet all the rules in Part A and this part, you must file Form 1040 or Form 1040A to claim the credit. (You cannot file Form 1040EZ.) You must also complete Schedule EIC and attach it to your return. If you meet all the rules in Part A and this part, read Part D to find out what to do next.



*If you do not meet rule B-2, you do not have a qualifying child. Read Part C to find out if you can get the earned income credit.*

### B-1. Earned Income and Modified AGI (Adjusted Gross Income) Limit

To claim the earned income credit, your earned income and modified AGI must each be less than:

- \$26,473 if you have one qualifying child, or
- \$30,095 if you have two or more qualifying children.

**Earned income.** Earned income includes all the income you get from working—even if it is not taxable. For examples, see rule A-1, *Earned Income*, on page 3.



*If the total of your taxable and nontaxable earned income is \$26,473 or more (if you have one qualifying child) or \$30,095 or more (if you have more than one qualifying child), print "No" directly to the right of line 59a (Form 1040) or line 37a (Form 1040A).*

**Modified AGI.** Modified AGI for most people is the same as AGI. AGI includes items such as taxable social security benefits and unemployment benefits. AGI is the amount on line 33 (Form 1040), line 18 (Form 1040A), or line 4 (Form 1040EZ).

But if you are filing Schedule C, C-EZ, D, E, or F, or you claim a loss from the rental of personal property not used in a trade or business, your modified AGI is the amount on Form 1040, line 33, **plus** the total of the following amounts.

- 1) Any loss claimed on Form 1040, line 13.
- 2) Any loss claimed on Schedule E, line 36.
- 3) Any royalty loss included on Schedule E, line 26.
- 4) Three-fourths of **each** of the following losses.

- a) Any loss on Form 1040, line 12. (See *More than one business*, later.)
- b) Any loss on Form 1040, line 18.
- c) Any loss determined by combining any rental real estate income or (loss) included on Schedule E, line 26, and the amounts on lines 31 and 39 of that schedule.

5) Any loss from the rental of personal property not used in a trade or business (the amount by which the expenses for the rental deducted as an adjustment to line 32, Form 1040, are more than the income from the rental included on line 21, Form 1040).

6) Any tax-exempt interest.

7) The nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution, except any amount that is nontaxable because it was a trustee-to-trustee transfer or a rollover distribution.

**More than one business.** If you have a loss on Form 1040, line 12, add to your AGI 75% (.75) of the amount on line 12, even if that amount is the result of combining gains and losses from more than one Schedule C.

This rule also applies if:

- You have a loss on Form 1040, line 18, or
- The result of combining the amounts on lines 31 and 39 of Schedule E with any rental real estate income (or loss) included on line 26 of Schedule E is a loss.

**Example.** You have two Schedules C. One shows a \$2,000 gain. The other shows a \$10,000 loss. You enter the net loss of \$8,000 on line 12, Form 1040. To figure your modified AGI, add back \$6,000 (75% of the \$8,000 loss). If your AGI is \$40,000 and you have no other modifications, your modified AGI is \$46,000.

**Roth IRA conversion.** If you have converted your traditional IRA to a Roth IRA and elected to spread the taxable amount over 4 years, only 25% of the taxable amount is reported each tax year. This 25% is added to your AGI on line 16b of Form 1040, or line 10b of Form 1040A. **Do not** add the other 75% of the taxable amount to your modified AGI for this tax year. The other 75% will be added to your AGI over the other 3 years.

### B-2. Qualifying Child

You have a qualifying child if your child meets three tests. The three tests are:

- 1) Relationship,
- 2) Residency, and
- 3) Age.

If your child does not meet all three tests of a qualifying child, then you cannot claim the credit for persons with a qualifying child. However, you might qualify for the credit if you do not have a qualifying child and your

earned income is under \$10,030. See Part C on page 12.

**TIP** *Your qualifying child generally does not have to be your dependent. But see Married child below.*

## Relationship Test

To meet the relationship test, the child must be your:

- Son, daughter, or adopted child (or a descendant of your son, daughter, or adopted child—for example, your grandchild),
- Stepson or stepdaughter, or
- Eligible foster child (this could include a niece, nephew, brother, sister, cousin, etc.).

**Adopted child.** Your adopted child includes a child placed with you for adoption by an authorized placement agency, even if the adoption is not final.

**Eligible foster child.** For the earned income credit, a person is your eligible foster child if:

- 1) The child lived with you and was a member of your household for the **whole** year, **and**
- 2) You cared for that child as you would your own child.

The eligible foster child does not have to be related to you.

**Married child.** A child who was married at the end of the year does not meet the relationship test, unless you can claim an exemption for the child. However, you do not have to be able to claim the child's exemption if you meet either of the following exceptions.

- 1) You cannot claim your child's exemption only because you gave that right to your child's other parent by filling out Form 8332 or a similar written statement.
- 2) You cannot claim your child's exemption only because you gave that right to your child's other parent in a pre-1985 agreement (such as a separation agreement or divorce decree).

**TIP** *If you need more information about either of these exceptions or when you can claim an exemption for your child, see Publication 501, Exemptions, Standard Deduction, and Filing Information or Publication 504, Divorced or Separated Individuals.*

## Residency Test

To meet the residency test, the child:

- 1) Must have lived with you for more than half the year (the whole year if the child is an eligible foster child), and
- 2) The home must be in the United States (one of the 50 states or the District of Columbia).

To meet the residency test, you do not need a traditional home. For example, if your child lived with you for more than half the year in a homeless shelter, the residency test is met.

**Military personnel stationed outside the United States.** U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period for purposes of the earned income credit.

**Extended active duty.** Extended active duty means you are called or ordered to duty for an indefinite period or for a period of more than 90 days. Once you begin serving your extended active duty, you are still considered to have been on extended active duty even if you serve less than 90 days.

**TIP** *See Publication 3 for more information on claiming the earned income credit.*

**Birth or death of a child.** The child is considered to have lived with you for all of 1998 if **both** of the following apply.

- 1) The child was born or died in 1998.
- 2) Your home was the child's home for the entire time he or she was alive during 1998.

**Temporary absences.** Count time that you or the qualifying child is away from home on a temporary absence due to a special circumstance as time lived at home. Examples of a special circumstance include:

- Illness,
- Attending school,
- Business,
- Vacation, and
- Military service.

## Age Test

To meet the age test, your child must be:

- 1) Under age 19 at the end of the year,
- 2) A full-time student under age 24 at the end of the year, or
- 3) Permanently and totally disabled at any time during the tax year, regardless of age.

**Full-time student.** A full-time student is a student who is enrolled for the number of hours or courses the school considers to be full-time attendance.

**Student defined.** To qualify as a student your child must be, during some part of each of 5 calendar months during the calendar year:

- 1) A full-time student at a school that has a regular teaching staff, course of study, and regularly enrolled body of students in attendance, or
- 2) A student taking a full-time, on-farm training course given by a school described in (1), or a state, county, or local government.



The 5 calendar months need not be consecutive.

**School defined.** The term “school” includes elementary schools, junior and senior high schools, colleges, universities, and technical, trade, and mechanical schools. It does **not** include on-the-job training courses, correspondence schools, and night schools. (But see *Night school*, later.)

**Vocational high school students.** Students who work on “co-op” jobs in private industry as a part of a school’s prescribed course of classroom and practical training are considered full-time students.

**Night school.** Your child is not a full-time student while attending school only at night. However, full-time attendance at a school may include some attendance at night as part of a full-time course of study.

**Permanently and totally disabled.** Your child is permanently and totally disabled if both the following apply:

- 1) He or she cannot engage in any substantial gainful activity because of a physical or mental condition, **and**
- 2) A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

### B-3. Qualifying Child of More Than One Person

If you and someone else have the same qualifying child, the person with the higher modified AGI is the only one who may be able to claim the credit. The person with the lower modified AGI cannot claim the credit. This is true even if the person with the higher modified AGI does not claim the credit or meet all of the rules to claim the credit.

If three or more persons have the same qualifying child, the person with the highest modified AGI is the only one who may be able to claim the credit.



If you are filing Form 1040 or Form 1040A and cannot claim the earned income credit because of this rule, print “No” directly to the right of line 59a (Form 1040) or line 37a (Form 1040A).

**Example 1.** You and your son lived with your mother all year. You are 25 years old. Your only income was \$9,300 from a part-time job. Your mother’s only income was \$15,000 from her job.

Your son is a qualifying child of both you and your mother. However, because you both have the same qualifying child, only one of you can claim the credit. Because your mother’s modified AGI (\$15,000) is more than your modified AGI (\$9,300), only your mother can claim the earned income credit. You cannot claim the credit either with or without a qualifying child.

**Example 2.** The facts are the same as in *Example 1*, except that your mother’s modified AGI is \$40,000.

Your mother cannot claim the earned income credit because her modified AGI is more than \$26,473. (See rule B-1.) Even though your mother cannot claim the earned income credit, you cannot claim the credit ei-

ther, because your mother’s modified AGI is more than yours.

**Example 3.** You and your sister shared a household for the entire year. You have 3 young children who lived in the household. Your sister does not have any children. However, she cares for your children as if they were her own. You earn \$15,000 and she earns \$20,000.

The children meet the age and residency tests for both you and your sister. They meet the relationship test for you because they are your children. They also meet the relationship test for your sister because they lived with her in the same household for the whole year and she cared for them as if they were her own. Therefore, they qualify as her eligible foster children.

Your children are qualifying children for both you and your sister. However, because your sister’s modified AGI is higher than yours, she is the only one who can claim the credit.



You and your sister cannot split the three qualifying children between you. You cannot claim the credit even though your sister enters the names of only two of the children on her Schedule EIC. (Schedule EIC has spaces for the names of only two qualifying children because the credit is the same amount for two or more qualifying children.)

**Example 4.** You, your spouse, and your son lived together until July 15, 1998, when your spouse moved out of the household. In November 1998, you and your spouse were divorced. Your modified AGI was \$13,000. Your former spouse’s modified AGI was \$18,000. Your son is a qualifying child of both you and your former spouse, because your son lived with each of you for more than half the year. However, because your former spouse’s modified AGI (\$18,000) was more than your modified AGI (\$13,000), only your former spouse can claim the earned income credit for 1998.

**Unmarried couples living together.** If an unmarried couple lives together with a qualifying child of both persons, the person with the higher modified AGI is the only one who may be eligible to claim the credit. The person with the lower modified AGI cannot claim the credit either with or without a qualifying child.



If the other person is your spouse and you file a joint return, rule B-3 does not apply.

## Part C. More Rules If You Do Not Have a Qualifying Child

Use this *Part C* if you:

- 1) Do not have a qualifying child, and
- 2) Have met all the rules in *Part A*.

This part of the publication discusses rules C-1 through C-4. You must meet all four rules, in addition to the rules in *Part A*, to qualify for the earned income

credit without a qualifying child. If you meet all the rules in Part A and this part, read Part D to find out what to do next.



*If you have a qualifying child, the rules in this part do not apply to you. You can claim the credit only if you meet all the rules in Part A and Part B. See rule B-2 on page 10 to find out if you have a qualifying child.*

## C-1. Earned Income and Modified AGI (Adjusted Gross Income) Limit

To claim the earned income credit without a qualifying child, your earned income and modified AGI must each be less than \$10,030.

**Earned income.** Earned income includes all the income you get from working—even if it is not taxable. For examples, see rule A-1 on page 3.



*If the total of your taxable and nontaxable earned income is \$10,030 or more, print “No” directly to the right of line 59a (Form 1040) or line 37a (Form 1040A), or to the right of the word “below” on line 8b (Form 1040EZ).*

**Modified AGI.** Modified AGI for most people is the same as AGI. AGI includes items such as taxable social security benefits and unemployment benefits. It is the amount on line 33 (Form 1040), line 18 (Form 1040A), or line 4 (Form 1040EZ).

But if you are filing Schedule C, C-EZ, D, E, or F, or you claim a loss from the rental of personal property not used in a trade or business, your modified AGI is the amount on Form 1040, line 33, **plus** the total of the following amounts.

- 1) Any loss claimed on Form 1040, line 13.
- 2) Any loss claimed on Schedule E, line 36.
- 3) Any royalty loss included on Schedule E, line 26.
- 4) Three-fourths of **each** of the following losses.
  - a) Any loss on Form 1040, line 12.
  - b) Any loss on Form 1040, line 18.
  - c) Any loss determined by combining any rental real estate income or (loss) included on Schedule E, line 26, and the amounts on lines 31 and 39 of that schedule.
- 5) Any loss from the rental of personal property not used in a trade or business (the amount by which the expenses for the rental deducted as an adjustment to line 32, Form 1040, are more than the income from the rental included on line 21, Form 1040).
- 6) Any tax-exempt interest.
- 7) The nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution, except any amount that is nontaxable because it

was a trustee-to-trustee transfer or a rollover distribution.

If you have a loss described in 4(a), (b), or (c) and you have more than one business, see *More than one business* under rule B-1 on page 10 for more information about figuring your modified AGI. If you converted part or all of a traditional IRA to a Roth IRA, see rule B-1 for more information about figuring your modified AGI.

## C-2. Age

You must be at least age 25 but under age 65 at the end of 1998. If you are married filing a joint return, either you or your spouse must be at least age 25 but under age 65 at the end of 1998. It does not matter which spouse meets the age rule, as long as one of the spouses does.

**Example 1.** You are age 28 and unmarried. You meet this rule.

**Example 2.** You are married and will file a joint return. You are age 23 and your spouse is age 27. You meet this rule because your spouse is at least age 25 but under age 65.

**Example 3.** You are married and will file a joint return. You are age 62 and your spouse is 66. You meet this rule because you are at least age 25 but under age 65.



*If you (and your spouse if filing a joint return) are under age 25 or are age 65 or older, enter “No” directly to the right of line 59a (Form 1040) or line 37a (Form 1040A), or to the right of the word “below” on line 8b (Form 1040EZ).*

## C-3. Dependent of Another Person

You must be able to claim an exemption for yourself (and your spouse if filing a joint return) on your tax return. If someone else can claim you (or your spouse if filing a joint return) as a dependent on their return, you cannot claim the earned income credit. If someone else can claim you (or your spouse if filing a joint return) as a dependent on their return but does not, you still cannot claim the credit.

**Example 1.** You are age 25, single, and living at home with your parents. You work and are not a student. You earned \$7,500. Your parents cannot claim you as a dependent. When you file your return, you claim an exemption for yourself. Therefore, you meet this rule.

**Example 2.** You are age 25, single, and living at home with your parents. You work and earned \$2,000. Your parents can claim you as a dependent but decide not to. You cannot claim the credit because your parents could have claimed you as a dependent.

**Example 3.** You file as head of household. Your mother is your dependent. You maintain your own home. You worked and earned \$8,500. No one can claim you as a dependent. You claim an exemption for yourself when you file your return. You meet this rule.

## C-4. Main Home

Your main home (and your spouse's if filing a joint return) must be in the United States for more than half the year. Your main home can be **any location** where you regularly live. For example, a homeless individual who lives in a shelter in the United States meets this rule.

U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period for the earned income credit. See *Military personnel stationed outside the United States* on page 11 for a definition of "extended active duty."



*If your home (or your spouse's home if filing a joint return) was not in the United States for more than half of 1998, enter "No" directly to the right of line 59a (Form 1040) or line 37a (Form 1040A), or to the right of the word "below" on line 8b (Form 1040EZ).*

## Part D. Figuring the Earned Income Credit

Use this Part D if you qualify for the earned income credit. You qualify if you have met all the rules in Parts A and B, or all the rules in Parts A and C.

This part of the publication explains how to figure the amount of your credit. You have two choices.

- 1) Have the IRS figure the credit for you. If you want to do this, see *IRS Will Figure the Credit for You*.
- 2) Figure the credit yourself. If you want to do this, see *How To Figure the Credit Yourself*.

**Qualifying child information (Schedule EIC).** Whether the IRS figures your credit or you figure it yourself, you must give the IRS information about your qualifying child. To do this, complete Schedule EIC and attach it to your Form 1040 or Form 1040A.

The information you enter on Schedule EIC must show that the child meets all the tests for a qualifying child. (See rule B-2 on page 10.) The schedule has space for information about only two qualifying children because the amount of your credit is the same whether you have two, three, or more qualifying children.



*Do not file Form 1040EZ if you have a qualifying child and qualify for the credit. You must file Form 1040 or Form 1040A.*

## IRS Will Figure the Credit for You

The IRS will figure the amount of your earned income credit for you if you follow the steps explained in this section of Part D.



*Please do not follow these steps unless you qualify for the earned income credit. Read the rules in Parts A, B, and C to see if you qualify.*



*If you want the IRS to also figure the amount of your income tax, see Publication 967, The IRS Will Figure Your Tax.*

## Form 1040

If you file Form 1040 and want the IRS to figure your credit for you, follow these steps.

- 1) Print **EIC** directly to the right of line 59a. Also, if you have any earned income that is not taxed, enter the amount and type of that income on line 59b. See *Table 2* on page 7 for examples of earned income that is not taxed. Then, if you have any of the situations listed later under *Special Instructions*, follow those instructions.
- 2) Complete all other parts of your return that apply to you (including line 54), but do not fill in line 64, 65, or 68. If you do not have a qualifying child, stop here.
- 3) If you have a qualifying child, complete Schedule EIC according to its instructions. Be sure to enter the child's social security number on line 4 of that schedule. If you do not, your credit may be reduced or disallowed. Attach Schedule EIC to your return.

## Form 1040A

If you file Form 1040A and want the IRS to figure your credit for you, follow these steps.

- 1) Print **EIC** directly to the right of line 37a. Also, if you have earned income that is not taxed, enter the amount and type of income on line 37b. See *Table 2* on page 7 for examples of earned income that is not taxed. Then, if you have any of the situations listed later under *Special Instructions*, follow those instructions.
- 2) Complete all other parts of your return that apply to you (including line 33), but do not fill in line 39, 40, or 43. If you do not have a qualifying child, stop here.
- 3) If you have a qualifying child, complete Schedule EIC according to its instructions. Be sure to enter the child's social security number on line 4 of that schedule. If you do not, your credit may be reduced or disallowed. Attach Schedule EIC to your return.

## Form 1040EZ

If you file Form 1040EZ and want the IRS to figure your credit for you, follow these steps.

- 1) Print **EIC** in the space to the right of the word "below" on line 8b. Also, if you have earned income that is not taxed, enter the amount and type in the spaces marked "Type" and "\$" on line 8b. See *Table 2* on page 7 for examples of earned income that is not taxed. Then, if you have any of the situations listed later under *Special Instructions*, follow those instructions.
- 2) Complete all other parts of your return that apply to you, but do not fill in lines 9, 11a, or 12.

## Special Instructions

Use the following special instructions, if the situation applies to you.

**Minister or member of a religious order.** If you file Schedule SE and line 2 of that schedule includes an amount that is also included on Form 1040, line 7, print "Clergy" directly to the right of line 59a, Form 1040. Also show the amount included on both lines (for example, "Clergy \$800"). If you received a housing allowance or were provided housing and you were required to include the allowance or the rental value of the parsonage on Schedule SE, line 2, do not include it as nontaxable earned income on line 59b of Form 1040.

**Household employee.** If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998, print "HSH" and the amount paid that was not reported on Form W-2 in the space to the right of the words "W-2 form(s)" on line 1 (Form 1040EZ), or on the dotted line next to line 7 (Form 1040), or in the space to the left of line 7 (Form 1040A). Also, be sure to include that amount in the total for line 1 of Form 1040EZ or line 7 of either Form 1040 or Form 1040A.

**Inmates.** If you were an inmate in a penal institution and the total on line 1 (Form 1040EZ) or line 7 (Form 1040 or Form 1040A) includes an amount paid for your work in the institution, print "PRI" and the amount paid in the space to the right of the words "W-2 form(s)" on line 1 (Form 1040EZ), or on the dotted line next to line 7 (Form 1040), or in the space to the left of line 7 (Form 1040A).

## How To Figure the Credit Yourself

To figure the amount of your earned income credit, you must use the Earned Income Credit Worksheet (EIC Worksheet) in the instruction booklet for Form 1040, Form 1040A, or Form 1040EZ, and the Earned Income Credit (EIC) Table in either the instruction booklet or this publication (on pages 22, 23, and 24). This section of Part D explains how to use the EIC Worksheet and how to report the credit on your return.

The amount of your earned income credit depends on:

- Whether you have no qualifying child, one qualifying child, or two or more qualifying children,
- The amount of your earned income (defined in rule A-1 on page 3) and modified AGI (defined in rule B-1 on page 10 and rule C-1 on page 13), and
- Whether you owe alternative minimum tax.

**Alternative minimum tax (AMT).** The tax laws give special treatment to some kinds of income and expenses. This special treatment could substantially reduce or eliminate an individual's income tax. So that taxpayers who benefit from these laws will pay at least a minimum amount of tax, there is a special tax called the AMT.



*You must reduce your earned income credit by the amount of any AMT you owe for the tax year.*

You may owe the AMT if you file Form 1040 or Form 1040A and your taxable income for regular tax purposes, combined with any of the adjustments and preference items that apply to you, totals more than:

- **\$45,000** if you are married filing a joint return (or a qualifying widow(er) with a dependent child), or
- **\$33,750** if your filing status is head of household or single.

See the instructions for line 51 (Form 1040) or line 34 (Form 1040A) for more information.

## Form 1040 and EIC Worksheet

If you file Form 1040 and want to figure the credit yourself, follow these steps.

- 1) Go to your form instruction booklet and turn to the instructions for **Lines 59a and 59b** and look for the **Earned Income Credit Worksheet—Line 59a**.
- 2) Complete the EIC Worksheet according to its instructions. If you were self-employed or used Schedule C or C-EZ as a statutory employee, complete the separate worksheet in the Form 1040 instructions booklet for line 5 of the EIC Worksheet. Find the amount of your credit in the EIC Table in your instruction booklet (or beginning on page 22 of this publication).
- 3) Enter the amount of your earned income credit from line 10 of the EIC Worksheet on Form 1040, line 59a. But if you owe the alternative minimum tax (Form 1040, line 51), subtract it from the amount on line 10 of the EIC Worksheet and enter the result (if more than zero) on Form 1040, line 59a. Then replace the amount on line 10 of the EIC Worksheet with the amount entered on Form 1040, line 59a.
- 4) Enter the amount and type of any nontaxable earned income (from line 4 of the EIC Worksheet) on Form 1040, line 59b.
- 5) Keep the EIC Worksheet for your records. Do not attach it to your income tax return. If you do not have a qualifying child, stop here.
- 6) If you have a qualifying child, complete Schedule EIC according to its instructions. Be sure to enter the child's social security number on line 4 of that schedule. If you do not, your credit may be reduced or disallowed. Attach Schedule EIC to your return.

## Form 1040A and EIC Worksheet

If you file Form 1040A and want to figure the credit yourself, follow these steps.

- 1) Go to your form instruction booklet and turn to the instructions for **Lines 37a and 37b** and look for the **Earned Income Credit Worksheet—Line 37a**.
- 2) Complete the EIC Worksheet according to its instructions. Find the amount of your credit in the

EIC Table in your instruction booklet (or beginning on page 22 of this publication).

- 3) Enter the amount of your earned income credit from line 9 of the EIC Worksheet on Form 1040A, line 37a. But if you owe the alternative minimum tax (Form 1040A, line 34), subtract it from the amount on line 9 of the EIC Worksheet and enter the result (if more than zero) on Form 1040A, line 37a. Then replace the amount on line 9 of the EIC Worksheet with the amount entered on Form 1040A, line 37a.
- 4) Enter the amount and type of any nontaxable earned income (from line 4 of the EIC Worksheet) on Form 1040A, line 37b.
- 5) Keep the EIC Worksheet for your records. Do not attach it to your income tax return. If you do not have a qualifying child, stop here.
- 6) If you have a qualifying child, complete Schedule EIC according to its instructions. Be sure to enter the child's social security number on line 4 of that schedule. If you do not, your credit may be reduced or disallowed. Attach Schedule EIC to your return.

## Form 1040EZ and EIC Worksheet

If you file Form 1040EZ and want to figure the credit yourself, follow these steps.

- 1) Go to your form instruction booklet and turn to the instructions for **Lines 8a and 8b** and look for the **Earned Income Credit Worksheet—Line 8a**.
- 2) Complete the EIC Worksheet according to its instructions. Find the amount of your credit in the EIC Table in your form instruction booklet (or beginning on page 22 of this publication).
- 3) Enter the amount of your earned income credit from line 9 of the EIC Worksheet on Form 1040EZ, line 8a.
- 4) Enter the amount and type of any nontaxable earned income (from line 4 of the EIC Worksheet) on Form 1040EZ, line 8b.
- 5) Keep the EIC Worksheet for your records. Do not attach it to your income tax return.

## Comprehensive Examples

The next few pages contain three comprehensive examples (with a filled-in Schedule EIC and EIC Worksheets) that may be helpful when you claim the earned income credit. The three examples are:

- 1) David and Judy Brown, who have three qualifying children and use Form 1040 (on page 16),
- 2) Sharon Rose, age 63, who has no qualifying child and uses Form 1040EZ (on page 17), and

- 3) Kelly Green, age 30, who is a full-time student, has no qualifying child, and uses Form 1040EZ (on page 18).

### Example 1. David and Judy Brown (Form 1040)

David and Judy Brown have three children—Karl, age 4, and twins Trisha and Mary, age 2. The children lived with David and Judy for all of 1998. David worked and earned \$17,200. He had his employer contribute \$1,200 of his pay to a 401(k) plan, so he had to pay tax on only \$16,000 (\$17,200 – \$1,200). He also received \$1,500 in unemployment compensation. Judy made crafts and sold them at a flea market. Her net earnings from self-employment were \$350. In addition, they earned \$50 interest from a savings account.

Their taxable earned income is \$16,350 (\$16,000 + \$350). Their nontaxable earned income is \$1,200 (the amount contributed to the 401(k) plan). Their total earned income used for figuring their credit is \$17,550 (\$16,350 + \$1,200). Their modified AGI is \$17,900 (\$16,000 + \$350 + \$1,500 + \$50). David and Judy will file a joint return using Form 1040. They qualify for the earned income credit and complete Schedule EIC and the EIC Worksheet. The Browns will attach Schedule EIC to Form 1040 when they send their completed return to the IRS. They will keep the EIC Worksheet for their records.

They take the following steps to complete the EIC Worksheet and Schedule EIC.

**Completing the EIC Worksheet.** The Browns complete the EIC Worksheet to figure their earned income credit.

**Line 1.** They enter \$16,000 from Form 1040, line 7.

**Line 2.** The Browns leave this line blank because they did not have any taxable scholarship or fellowship grant income.

**Line 3.** They subtract line 2 from line 1 and enter \$16,000.

**Line 4.** They enter \$1,200 on line 4. This is the amount of the contribution to the 401(k) plan.

**Line 5.** Because Judy was self-employed, she completes the separate worksheet in the Form 1040 instruction booklet for line 5 of the EIC Worksheet (not shown). The Browns enter the amount from line 4 of that worksheet—\$350—on line 5.

**Line 6.** They add lines 3, 4, and 5 and enter \$17,550. This is their total earned income.

**Line 7.** To find the amount of their credit based on their earned income, the Browns go to the Earned Income Credit Table (on pages 22, 23, and 24 of this publication). They find their earned income of \$17,550 (from the EIC Worksheet, line 6) in the range of \$17,550 to \$17,600. They follow this line across to the column "Two children" and find \$2,637. They enter \$2,637 on line 7.



| If the amount on the Form 1040 EIC Worksheet, line 6 or line 8, is— |               | And you have—  |           |              |
|---|---------------|----------------|-----------|--------------|
|   |               | No Children    | One Child | Two Children |
| At least  | But less than | Your credit is |           |              |
| 17,400  | 17,450        | 0              | 1,446     | 2,668        |
| 17,450  | 17,500        | 0              | 1,438     | 2,658        |
| 17,500  | 17,550        | 0              | 1,430     | 2,647        |
| 17,550  | 17,600        | 0              | 1,422     | 2,637        |

**Line 8.** The Browns enter their modified AGI of \$17,900. This amount is the same as their AGI because the Browns did not have any of the types of income shown under *Modified AGI* on page 10.

**Line 9.** The Browns check the box for **No** and follow the instruction because their modified AGI of \$17,900 is more than \$12,300. They again go to the Earned Income Credit Table to find the amount of their credit based on their modified AGI. They find \$17,900 in the range of \$17,900 to \$17,950. They follow this line across to the column “Two children” and find \$2,563. They enter \$2,563 on line 9.

| If the amount on the Form 1040 EIC Worksheet, line 6 or line 8, is— |               | And you have—  |           |              |
|---|---------------|----------------|-----------|--------------|
|   |               | No Children    | One Child | Two Children |
| At least  | But less than | Your credit is |           |              |
| 17,900  | 17,950        | 0              | 1,366     | 2,563        |
| 17,950  | 18,000        | 0              | 1,358     | 2,552        |
| 18,000  | 18,050        | 0              | 1,350     | 2,542        |
| 18,050  | 18,100        | 0              | 1,342     | 2,531        |

**Line 10.** Because they checked **No** on line 9, they compare the amounts on line 7 (\$2,637) and line 9 (\$2,563). They enter the smaller amount on line 10 and also on Form 1040, line 59a. The Browns' earned income credit is \$2,563.

**Completing schedule EIC.** The Browns complete Schedule EIC because they have qualifying children. They enter “David and Judy Brown” and David's SSN (the SSN that appears first on their Form 1040) on the line at the top of Schedule EIC. They fill out lines 1–6.

**Line 1.** The Browns enter only Karl's and Trisha's names. They do not enter Mary's name. However, Mary is still their qualifying child even though her name is not on Schedule EIC.

**Line 2.** The Browns enter the year of birth for Karl (1994) in the column “Child 1” and for Trisha (1996) in the column “Child 2.”

**Lines 3a and 3b.** The Browns skip these lines because the children were not born before 1980.

**Line 4.** The Browns enter Karl's and Trisha's SSNs.

**Line 5.** The Browns enter “son” for Karl and “daughter” for Trisha. This line shows the relationship of the children to the Browns.

**Line 6.** The Browns enter “12” for Karl and “12” for Trisha. This line shows how many months in 1998 the children lived with them.

## Example 2. Sharon Rose (Form 1040EZ)

Sharon Rose is age 63 and retired. She received \$7,000 of social security during the year. She earned \$4,850 from a part-time job. She had no other income. Sharon lived in the United States for the entire year and cannot be claimed as a dependent on anyone else's return. Her children are grown and support themselves.

Sharon's total earned income and modified AGI are both \$4,850. Her social security (\$7,000) is not earned income and is not taxable. (Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*, has information about the taxability of social security benefits.) Sharon qualifies for the earned income credit.

Sharon does not have to file a tax return. However, to get the earned income credit, she must file a return. Sharon will file Form 1040EZ and complete the EIC Worksheet.

**Completing the EIC Worksheet.** Sharon completes the EIC Worksheet to figure her earned income credit.

**Line 1.** She enters \$4,850 from Form 1040EZ, line 1.

**Line 2.** Sharon leaves this line blank because she did not receive any taxable scholarships or fellowship grants.

**Line 3.** She subtracts line 2 from line 1 and enters \$4,850.

**Line 4.** Sharon leaves this line blank because she does not have any nontaxable earned income.

**Line 5.** She adds lines 3 and 4 and enters \$4,850. This is her total earned income.

**Line 6.** To find her credit, Sharon goes to the Earned Income Credit Table (on pages 22, 23, and 24 of this publication). She finds her earned income of \$4,850 (from EIC Worksheet, line 5) in the range of \$4,850 to \$4,900. Sharon follows this line across to the column “No children” and finds \$341. She enters \$341 on line 6.

**Line 7.** She enters \$4,850 from Form 1040EZ, line 4.

**Line 8.** Sharon checks the box for **No** because her modified AGI of \$4,850 is less than \$5,600.

**Line 9.** Because Sharon checked the **No** box on line 8, she enters \$341 from line 6 here and on Form 1040EZ, line 8a. The \$341 is Sharon's earned income credit.

| If the amount on the Form 1040EZ EIC Worksheet, line 5 or line 7, is— |               | And you have—  |           |              |
|---|---------------|----------------|-----------|--------------|
|   |               | No Children    | One Child | Two Children |
| At least  | But less than | Your credit is |           |              |
| 4,800   | 4,850         | 341            | 1,641     | 1,930        |
| 4,850   | 4,900         | 341            | 1,658     | 1,950        |
| 4,900   | 4,950         | 341            | 1,675     | 1,970        |
| 4,950   | 5,000         | 341            | 1,692     | 1,990        |

### Example 3. Kelly Green (Form 1040EZ)

Kelly Green is age 30 and a full-time student. She lived with her parents in the United States for all of 1998. She had a part-time job and earned \$6,040. She earned \$20 interest on a savings account. She is not eligible to be claimed as a dependent on her parents' return. Although she lived with her parents, she is not their qualifying child because she does not meet the age test. She does not have any children.

Kelly qualifies for the earned income credit. Kelly will file Form 1040EZ and complete the EIC Worksheet.

**Completing the EIC Worksheet.** Kelly completes the EIC Worksheet to figure her earned income credit.

**Line 1.** She enters \$6,040 from Form 1040EZ, line 1.

**Line 2.** Kelly leaves this line blank because she did not receive any taxable scholarships or fellowship grants.

**Line 3.** Kelly subtracts line 2 from line 1 and enters \$6,040.

**Line 4.** Kelly leaves this line blank because all her income is taxable.

**Line 5.** She adds lines 3 and 4 and enters \$6,040. This is her total earned income.

**Line 6.** To find her credit, Kelly goes to the Earned Income Credit Table (on pages 22, 23, and 24 of this publication). She finds her earned income of \$6,040 (from the EIC Worksheet, line 5) in the range of \$6,000

to \$6,050. Kelly follows this line across to the column "No children" and finds \$306. She enters \$306 on line 6.

| If the amount on the Form 1040EZ EIC Worksheet, line 5 or line 7, is— |               | And you have—  |           |              |
|---|---------------|----------------|-----------|--------------|
|   |               | No Children    | One Child | Two Children |
| At least  | But less than | Your credit is |           |              |
| 6,000   | 6,050         | 306            | 2,049     | 2,410        |
| 6,050   | 6,100         | 303            | 2,066     | 2,430        |
| 6,100   | 6,150         | 299            | 2,083     | 2,450        |
| 6,150   | 6,200         | 295            | 2,100     | 2,470        |

**Line 7.** She enters \$6,060 from Form 1040EZ, line 4.

**Line 8.** Kelly checks the box for **Yes** and follows the instruction because her modified AGI of \$6,060 is more than \$5,600. Kelly again goes to the Earned Income Credit Table to find the amount of the credit based on her modified AGI. She finds \$6,060 in the range of \$6,050 to \$6,100. Kelly follows this line across to the column "No children" and finds \$303. Kelly enters \$303 on line 8.

| If the amount on the Form 1040EZ EIC Worksheet, line 5 or line 7, is— |               | And you have—  |           |              |
|---|---------------|----------------|-----------|--------------|
|   |               | No Children    | One Child | Two Children |
| At least  | But less than | Your credit is |           |              |
| 6,000   | 6,050         | 306            | 2,049     | 2,410        |
| 6,050   | 6,100         | 303            | 2,066     | 2,430        |
| 6,100   | 6,150         | 299            | 2,083     | 2,450        |
| 6,150   | 6,200         | 295            | 2,100     | 2,470        |

**Line 9.** Because Kelly checked the **Yes** box on line 8, she enters the smaller of \$306 (line 6) or \$303 (line 8). She enters \$303 here and on Form 1040EZ, line 8a. \$303 is Kelly's earned income credit.

(Page references on Worksheet are to Form 1040 instructions)

**Earned Income Credit Worksheet—Line 59a**  
(keep for your records)



**Before you begin**, if you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998 or you were a minister or member of a religious order, see **Special Rules** on page 39 before completing this worksheet. Also, see Special Rules if Form 1040, line 7, includes workfare payments or any amount paid to an inmate in a penal institution.

**Caution:** Be sure to include all your income on lines 1, 2, 4, 5, and 8 below. An incorrect amount may increase your tax or reduce your refund.

|  |     |               |
|--|-----|---------------|
| 1. Enter the amount from Form 1040, line 7 . . . . .   | 1.  | <u>16,000</u> |
| 2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here . . . . .   | 2.  |               |
| 3. Subtract line 2 from line 1. . . . .  | 3.  | <u>16,000</u> |
| 4. Enter any <b>nontaxable earned income</b> (see the next page). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form . . . . . | 4.  | <u>1,200</u>  |
| 5. If you were self-employed or used Schedule C or C-EZ as a statutory employee, enter the amount from the worksheet on the next page . . . . .  | 5.  | <u>350</u>    |
| 6. Add lines 3, 4, and 5 . . . . .   | 6.  | <u>17,550</u> |
| 7. Look up the amount on line 6 above in the <b>EIC Table</b> on pages 40-42 to find your credit. Enter the credit here . . . . .  | 7.  | <u>2,637</u>  |
| If line 7 is zero, <b>stop</b> . You <b>cannot</b> take the credit. Enter "No" directly to the right of Form 1040, line 59a.   |     |               |
| 8. Enter your <b>modified AGI</b> (see this page) . . . . .  | 8.  | <u>17,900</u> |
| 9. Is line 8 less than—  |     |               |
| • \$5,600 if you do not have a qualifying child?   |     |               |
| • \$12,300 if you have at least one qualifying child?  |     |               |
| <input type="checkbox"/> <b>Yes</b> . Go to line 10 now.   |     |               |
| <input checked="" type="checkbox"/> <b>No</b> . Look up the amount on line 8 above in the <b>EIC Table</b> on pages 40-42 to find your credit. Enter the credit here . . . . .   |     |               |
|  | 9.  | <u>2,563</u>  |
| 10. <b>Earned income credit.</b>   |     |               |
| • If you checked "Yes" on line 9, enter the amount from line 7.  |     |               |
| • If you checked "No" on line 9, enter the <b>smaller</b> of line 7 or line 9 . . . . .  |     |               |
|  | 10. | <u>2,563</u>  |

**Next:** Take the amount from line 10 above and enter it on Form 1040, line 59a.

**AND**  
If you had any nontaxable earned income (see line 4 above), enter the amount and type of that income in the spaces provided on line 59b.

**AND**  
Complete **Schedule EIC** and attach it to your return **ONLY** if you have a qualifying child.

**Note:** If you owe the alternative minimum tax (Form 1040, line 51), subtract it from the amount on line 10 above. Then, enter the result (if more than zero) on Form 1040, line 59a. Also, replace the amount on line 10 above with the amount entered on Form 1040, line 59a.

**SCHEDULE EIC**  
(Form 1040A or 1040)

Department of the Treasury  
Internal Revenue Service

Name(s) shown on return

**Earned Income Credit**  
(Qualifying Child Information)

▶ Attach to Form 1040A or 1040.

▶ See instructions on back.

OMB No. 1545-0074

**1998**

Attachment Sequence No. **43**

Your social security number

3 3 3 : 0 0 : 3 3 3 3

David and Judy

Brown

**Before you begin** . . . . .

- See the instructions for Form 1040A, lines 37a and 37b, or Form 1040, lines 59a and 59b, to find out if you can take this credit.
- If you can take the credit, fill in the Earned Income Credit Worksheet in the Form 1040A or Form 1040 instructions to figure your credit. **But if you want the IRS to figure it for you, see instructions on back.**

**Then, you must** complete and attach Schedule EIC only if you have a qualifying child (see boxes on back).

**Information About Your Qualifying Child or Children**

If you have more than two qualifying children, you only have to list two to get the maximum credit.

**Caution:** If you do not attach Schedule EIC and fill in all the lines that apply, it will take us longer to process your return and issue your refund.

|   | Child 1                             |           | Child 2                             |           |
|---|-------------------------------------|-----------|-------------------------------------|-----------|
|   | First name                          | Last name | First name                          | Last name |
| 1 Child's name . . . . .  | Karl                                | Brown     | Trisha                              | Brown     |
| 2 Child's year of birth . . . . .   | 19 <u>9</u> <u>4</u>                |           | 19 <u>9</u> <u>6</u>                |           |
| 3 If the child was born <b>before 1980</b> AND—   |                                     |           |                                     |           |
| <b>a</b> was <b>under age 24</b> at the end of 1998 and a student, check "Yes," <b>OR</b> . . . . . | <input type="checkbox"/> <b>Yes</b> |           | <input type="checkbox"/> <b>Yes</b> |           |
| <b>b</b> was permanently and totally disabled (see back), check "Yes" . . . . .                     | <input type="checkbox"/> <b>Yes</b> |           | <input type="checkbox"/> <b>Yes</b> |           |
| 4 Enter the child's social security number . . . . .  | 0 0 0 : 0 0 : 1 2 3 4               |           | 0 0 0 : 0 0 : 4 3 2 1               |           |
| 5 Child's relationship to you (for example, son, grandchild, etc.) . . . . .                        | Son                                 |           | Daughter                            |           |
| 6 Number of months child lived with you in the United States in 1998 . . . . .                      | 1 2 <b>months</b>                   |           | 1 2 <b>months</b>                   |           |

**TIP:** Do you want the earned income credit added to your take-home pay in 1999? To see if you qualify, get Form W-5 from your employer or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

**Sharon Rose -- EIC Worksheet**  
**(Page references are to Form 1040EZ instructions)**

**Earned Income Credit Worksheet—Line 8a** (keep for your records)



**Before you begin**, if you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998, see **Special Rules** on page 10 before completing this worksheet. Also, see **Special Rules** if Form 1040EZ, line 1, includes any amount paid to an inmate in a penal institution.

- 1. Enter the amount from Form 1040EZ, line 1 . . . . . **1.** 4,850
- 2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here . . . . . **2.** \_\_\_\_\_
- 3. Subtract line 2 from line 1 . . . . . **3.** 4,850
- 4. Enter any **nontaxable earned income** (see page 9). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form. . . . . **4.** \_\_\_\_\_
- 5. Add lines 3 and 4 . . . . . **5.** 4,850

**Caution:** If line 5 is \$10,030 or more, you **cannot** take the credit. Print "No" to the right of the word "below" on line 8b of Form 1040EZ.

- 6. Look up the amount on **line 5** above in the **EIC Table** on page 12 to find your credit. Enter the credit here . . . . . **6.** 341
- 7. Enter the total of the amount from Form 1040EZ, line 4 plus any tax-exempt interest entered to the right of the words "Form 1040EZ" on line 2 . . . . . **7.** 4,850

**8. Is line 7 \$5,600 or more?**

**Yes.** Look up the amount on **line 7** above in the **EIC Table** on page 12 to find your credit. Enter the credit here . . . . . **8.** \_\_\_\_\_

**No.** Go to line 9.

**9. Earned income credit.**

- If you checked "Yes" on line 8, enter the **smaller** of line 6 or line 8.
- If you checked "No" on line 8, enter the amount from line 6 . . . . . **9.** 341

**Next:** Take the amount from line 9 above and enter it on Form 1040EZ, line 8a.

**AND**

If you had any nontaxable earned income (see line 4 above), enter the type and amount of that income in the spaces marked "Type" and "\$" on line 8b.

**Kelly Green -- EIC Worksheet**  
**(Page references are to Form 1040EZ instructions)**

**Earned Income Credit Worksheet—Line 8a** (keep for your records)



**Before you begin**, if you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998, see **Special Rules** on page 10 before completing this worksheet. Also, see **Special Rules** if Form 1040EZ, line 1, includes any amount paid to an inmate in a penal institution.

- 1. Enter the amount from Form 1040EZ, line 1 . . . . . 1. 6,040
- 2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here . . . . . 2. \_\_\_\_\_
- 3. Subtract line 2 from line 1 . . . . . 3. 6,040
- 4. Enter any **nontaxable earned income** (see page 9). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form. . . . . 4. \_\_\_\_\_
- 5. Add lines 3 and 4 . . . . . 5. 6,040

**Caution:** If line 5 is \$9,770 or more, you **cannot** take the credit. Print "No" to the right of the word "below" on line 8b of Form 1040EZ.

- 6. Look up the amount on **line 5** above in the **EIC Table** on page 12 to find your credit. Enter the credit here . . . . . 6. 306
- 7. Enter the total of the amount from Form 1040EZ, line 4 plus any tax-exempt interest entered to the right of the words "Form 1040EZ" on line 2 . . . . . 7. 6,060

**8. Is line 7 \$5,600 or more?**

**Yes.** Look up the amount on **line 7** above in the **EIC Table** on page 12 to find your credit. Enter the credit here . . . . . 8. 303

**No.** Go to line 9.

**9. Earned income credit.**

- If you checked "Yes" on line 8, enter the **smaller** of line 6 or line 8.
- If you checked "No" on line 8, enter the amount from line 6 . . . . . 9. 303

**Next:** Take the amount from line 9 above and enter it on Form 1040EZ, line 8a.

**AND**

If you had any nontaxable earned income (see line 4 above), enter the type and amount of that income in the spaces marked "Type" and "\$" on line 8b.

# 1998 Earned Income Credit (EIC) Table

To find your credit: First, read down the "At least — But less than" columns and find the line that includes the amount you entered on line 6 or line 8 of the Earned Income Credit Worksheet on page 38. Next, read across to the column that includes the number of qualifying children you have. Then, enter the credit from that column on line 7 or line 9 of that worksheet, whichever applies.

Caution: This is not a tax table.

| If the amount on line 6 or line 8 of the worksheet on page 38 is— |               | And you have—   |           |              | If the amount on line 6 or line 8 of the worksheet on page 38 is— |               | And you have—   |           |              | If the amount on line 6 or line 8 of the worksheet on page 38 is— |               | And you have—   |           |              |
|---|---------------|-----------------|-----------|--------------|---|---------------|-----------------|-----------|--------------|---|---------------|-----------------|-----------|--------------|
| At least  | But less than | No children     | One child | Two children | At least  | But less than | No children     | One child | Two children | At least  | But less than | No children     | One child | Two children |
|   |               | Your credit is— |           |              |   |               | Your credit is— |           |              |   |               | Your credit is— |           |              |
| \$1   | \$50          | \$2             | \$9       | \$10         | 2,400   | 2,450         | 186             | 825       | 970          | 4,800   | 4,850         | 341             | 1,641     | 1,930        |
| 50  | 100           | 6               | 26        | 30           | 2,450   | 2,500         | 189             | 842       | 990          | 4,850   | 4,900         | 341             | 1,658     | 1,950        |
| 100   | 150           | 10              | 43        | 50           | 2,500   | 2,550         | 193             | 859       | 1,010        | 4,900   | 4,950         | 341             | 1,675     | 1,970        |
| 150   | 200           | 13              | 60        | 70           | 2,550   | 2,600         | 197             | 876       | 1,030        | 4,950   | 5,000         | 341             | 1,692     | 1,990        |
| 200   | 250           | 17              | 77        | 90           | 2,600   | 2,650         | 201             | 893       | 1,050        | 5,000   | 5,050         | 341             | 1,709     | 2,010        |
| 250   | 300           | 21              | 94        | 110          | 2,650   | 2,700         | 205             | 910       | 1,070        | 5,050   | 5,100         | 341             | 1,726     | 2,030        |
| 300   | 350           | 25              | 111       | 130          | 2,700   | 2,750         | 208             | 927       | 1,090        | 5,100   | 5,150         | 341             | 1,743     | 2,050        |
| 350   | 400           | 29              | 128       | 150          | 2,750   | 2,800         | 212             | 944       | 1,110        | 5,150   | 5,200         | 341             | 1,760     | 2,070        |
| 400   | 450           | 33              | 145       | 170          | 2,800   | 2,850         | 216             | 961       | 1,130        | 5,200   | 5,250         | 341             | 1,777     | 2,090        |
| 450   | 500           | 36              | 162       | 190          | 2,850   | 2,900         | 220             | 978       | 1,150        | 5,250   | 5,300         | 341             | 1,794     | 2,110        |
| 500   | 550           | 40              | 179       | 210          | 2,900   | 2,950         | 224             | 995       | 1,170        | 5,300   | 5,350         | 341             | 1,811     | 2,130        |
| 550   | 600           | 44              | 196       | 230          | 2,950   | 3,000         | 228             | 1,012     | 1,190        | 5,350   | 5,400         | 341             | 1,828     | 2,150        |
| 600   | 650           | 48              | 213       | 250          | 3,000   | 3,050         | 231             | 1,029     | 1,210        | 5,400   | 5,450         | 341             | 1,845     | 2,170        |
| 650   | 700           | 52              | 230       | 270          | 3,050   | 3,100         | 235             | 1,046     | 1,230        | 5,450   | 5,500         | 341             | 1,862     | 2,190        |
| 700   | 750           | 55              | 247       | 290          | 3,100   | 3,150         | 239             | 1,063     | 1,250        | 5,500   | 5,550         | 341             | 1,879     | 2,210        |
| 750   | 800           | 59              | 264       | 310          | 3,150   | 3,200         | 243             | 1,080     | 1,270        | 5,550   | 5,600         | 341             | 1,896     | 2,230        |
| 800   | 850           | 63              | 281       | 330          | 3,200   | 3,250         | 247             | 1,097     | 1,290        | 5,600   | 5,650         | 337             | 1,913     | 2,250        |
| 850   | 900           | 67              | 298       | 350          | 3,250   | 3,300         | 251             | 1,114     | 1,310        | 5,650   | 5,700         | 333             | 1,930     | 2,270        |
| 900   | 950           | 71              | 315       | 370          | 3,300   | 3,350         | 254             | 1,131     | 1,330        | 5,700   | 5,750         | 329             | 1,947     | 2,290        |
| 950   | 1,000         | 75              | 332       | 390          | 3,350   | 3,400         | 258             | 1,148     | 1,350        | 5,750   | 5,800         | 326             | 1,964     | 2,310        |
| 1,000   | 1,050         | 78              | 349       | 410          | 3,400   | 3,450         | 262             | 1,165     | 1,370        | 5,800   | 5,850         | 322             | 1,981     | 2,330        |
| 1,050   | 1,100         | 82              | 366       | 430          | 3,450   | 3,500         | 266             | 1,182     | 1,390        | 5,850   | 5,900         | 318             | 1,998     | 2,350        |
| 1,100   | 1,150         | 86              | 383       | 450          | 3,500   | 3,550         | 270             | 1,199     | 1,410        | 5,900   | 5,950         | 314             | 2,015     | 2,370        |
| 1,150   | 1,200         | 90              | 400       | 470          | 3,550   | 3,600         | 273             | 1,216     | 1,430        | 5,950   | 6,000         | 310             | 2,032     | 2,390        |
| 1,200   | 1,250         | 94              | 417       | 490          | 3,600   | 3,650         | 277             | 1,233     | 1,450        | 6,000   | 6,050         | 306             | 2,049     | 2,410        |
| 1,250   | 1,300         | 98              | 434       | 510          | 3,650   | 3,700         | 281             | 1,250     | 1,470        | 6,050   | 6,100         | 303             | 2,066     | 2,430        |
| 1,300   | 1,350         | 101             | 451       | 530          | 3,700   | 3,750         | 285             | 1,267     | 1,490        | 6,100   | 6,150         | 299             | 2,083     | 2,450        |
| 1,350   | 1,400         | 105             | 468       | 550          | 3,750   | 3,800         | 289             | 1,284     | 1,510        | 6,150   | 6,200         | 295             | 2,100     | 2,470        |
| 1,400   | 1,450         | 109             | 485       | 570          | 3,800   | 3,850         | 293             | 1,301     | 1,530        | 6,200   | 6,250         | 291             | 2,117     | 2,490        |
| 1,450   | 1,500         | 113             | 502       | 590          | 3,850   | 3,900         | 296             | 1,318     | 1,550        | 6,250   | 6,300         | 287             | 2,134     | 2,510        |
| 1,500   | 1,550         | 117             | 519       | 610          | 3,900   | 3,950         | 300             | 1,335     | 1,570        | 6,300   | 6,350         | 283             | 2,151     | 2,530        |
| 1,550   | 1,600         | 120             | 536       | 630          | 3,950   | 4,000         | 304             | 1,352     | 1,590        | 6,350   | 6,400         | 280             | 2,168     | 2,550        |
| 1,600   | 1,650         | 124             | 553       | 650          | 4,000   | 4,050         | 308             | 1,369     | 1,610        | 6,400   | 6,450         | 276             | 2,185     | 2,570        |
| 1,650   | 1,700         | 128             | 570       | 670          | 4,050   | 4,100         | 312             | 1,386     | 1,630        | 6,450   | 6,500         | 272             | 2,202     | 2,590        |
| 1,700   | 1,750         | 132             | 587       | 690          | 4,100   | 4,150         | 316             | 1,403     | 1,650        | 6,500   | 6,550         | 268             | 2,219     | 2,610        |
| 1,750   | 1,800         | 136             | 604       | 710          | 4,150   | 4,200         | 319             | 1,420     | 1,670        | 6,550   | 6,600         | 264             | 2,236     | 2,630        |
| 1,800   | 1,850         | 140             | 621       | 730          | 4,200   | 4,250         | 323             | 1,437     | 1,690        | 6,600   | 6,650         | 260             | 2,253     | 2,650        |
| 1,850   | 1,900         | 143             | 638       | 750          | 4,250   | 4,300         | 327             | 1,454     | 1,710        | 6,650   | 6,700         | 257             | 2,271     | 2,670        |
| 1,900   | 1,950         | 147             | 655       | 770          | 4,300   | 4,350         | 331             | 1,471     | 1,730        | 6,700   | 6,750         | 253             | 2,271     | 2,690        |
| 1,950   | 2,000         | 151             | 672       | 790          | 4,350   | 4,400         | 335             | 1,488     | 1,750        | 6,750   | 6,800         | 249             | 2,271     | 2,710        |
| 2,000   | 2,050         | 155             | 689       | 810          | 4,400   | 4,450         | 339             | 1,505     | 1,770        | 6,800   | 6,850         | 245             | 2,271     | 2,730        |
| 2,050   | 2,100         | 159             | 706       | 830          | 4,450   | 4,500         | 341             | 1,522     | 1,790        | 6,850   | 6,900         | 241             | 2,271     | 2,750        |
| 2,100   | 2,150         | 163             | 723       | 850          | 4,500   | 4,550         | 341             | 1,539     | 1,810        | 6,900   | 6,950         | 238             | 2,271     | 2,770        |
| 2,150   | 2,200         | 166             | 740       | 870          | 4,550   | 4,600         | 341             | 1,556     | 1,830        | 6,950   | 7,000         | 234             | 2,271     | 2,790        |
| 2,200   | 2,250         | 170             | 757       | 890          | 4,600   | 4,650         | 341             | 1,573     | 1,850        | 7,000   | 7,050         | 230             | 2,271     | 2,810        |
| 2,250   | 2,300         | 174             | 774       | 910          | 4,650   | 4,700         | 341             | 1,590     | 1,870        | 7,050   | 7,100         | 226             | 2,271     | 2,830        |
| 2,300   | 2,350         | 178             | 791       | 930          | 4,700   | 4,750         | 341             | 1,607     | 1,890        | 7,100   | 7,150         | 222             | 2,271     | 2,850        |
| 2,350   | 2,400         | 182             | 808       | 950          | 4,750   | 4,800         | 341             | 1,624     | 1,910        | 7,150   | 7,200         | 218             | 2,271     | 2,870        |

(Continued)

(Page references are to Form 1040 instructions)

1998 Earned Income Credit (EIC) Table Continued (Caution: This is not a tax table.)

Table with 14 columns: Income ranges (At least / But less than), Number of children (No children, One child, Two children), and EIC amounts. Rows range from \$9,600-\$9,650 to \$12,350-\$12,400.

\*If the amount on line 6 or line 8 of the worksheet is at least \$10,000 but less than \$10,030, your credit is \$1. Otherwise, you cannot take the credit. (Continued)

(Page references are to Form 1040 instructions)

**1998 Earned Income Credit (EIC) Table** *Continued* (Caution: This is *not* a tax table.)

| If the amount on line 6 or line 8 of the worksheet on page 38 is— |               | And you have—   |           |              | If the amount on line 6 or line 8 of the worksheet on page 38 is— |               | And you have—   |           |              | If the amount on line 6 or line 8 of the worksheet on page 38 is— |               | And you have—   |           |              |                |        |   |   |     |
|---|---------------|-----------------|-----------|--------------|---|---------------|-----------------|-----------|--------------|---|---------------|-----------------|-----------|--------------|----------------|--------|---|---|-----|
| At least  | But less than | No children     | One child | Two children | At least  | But less than | No children     | One child | Two children | At least  | But less than | No children     | One child | Two children |                |        |   |   |     |
| Your credit is—   |               | Your credit is— |           |              | Your credit is—   |               | Your credit is— |           |              | Your credit is—   |               | Your credit is— |           |              |                |        |   |   |     |
| 20,800  | 20,850        | 0               | 903       | 1,952        | 23,200  | 23,250        | 0               | 519       | 1,447        | 25,600  | 25,650        | 0               | 135       | 941          | 28,000         | 28,050 | 0 | 0 | 436 |
| 20,850  | 20,900        | 0               | 895       | 1,942        | 23,250  | 23,300        | 0               | 511       | 1,436        | 25,650  | 25,700        | 0               | 127       | 931          | 28,050         | 28,100 | 0 | 0 | 425 |
| 20,900  | 20,950        | 0               | 887       | 1,931        | 23,300  | 23,350        | 0               | 503       | 1,426        | 25,700  | 25,750        | 0               | 119       | 920          | 28,100         | 28,150 | 0 | 0 | 415 |
| 20,950  | 21,000        | 0               | 879       | 1,921        | 23,350  | 23,400        | 0               | 495       | 1,415        | 25,750  | 25,800        | 0               | 112       | 910          | 28,150         | 28,200 | 0 | 0 | 404 |
| 21,000  | 21,050        | 0               | 871       | 1,910        | 23,400  | 23,450        | 0               | 487       | 1,405        | 25,800  | 25,850        | 0               | 104       | 899          | 28,200         | 28,250 | 0 | 0 | 394 |
| 21,050  | 21,100        | 0               | 863       | 1,900        | 23,450  | 23,500        | 0               | 479       | 1,394        | 25,850  | 25,900        | 0               | 96        | 889          | 28,250         | 28,300 | 0 | 0 | 383 |
| 21,100  | 21,150        | 0               | 855       | 1,889        | 23,500  | 23,550        | 0               | 471       | 1,384        | 25,900  | 25,950        | 0               | 88        | 878          | 28,300         | 28,350 | 0 | 0 | 373 |
| 21,150  | 21,200        | 0               | 847       | 1,879        | 23,550  | 23,600        | 0               | 463       | 1,373        | 25,950  | 26,000        | 0               | 80        | 868          | 28,350         | 28,400 | 0 | 0 | 362 |
| 21,200  | 21,250        | 0               | 839       | 1,868        | 23,600  | 23,650        | 0               | 455       | 1,363        | 26,000  | 26,050        | 0               | 72        | 857          | 28,400         | 28,450 | 0 | 0 | 352 |
| 21,250  | 21,300        | 0               | 831       | 1,857        | 23,650  | 23,700        | 0               | 447       | 1,352        | 26,050  | 26,100        | 0               | 64        | 847          | 28,450         | 28,500 | 0 | 0 | 341 |
| 21,300  | 21,350        | 0               | 823       | 1,847        | 23,700  | 23,750        | 0               | 439       | 1,341        | 26,100  | 26,150        | 0               | 56        | 836          | 28,500         | 28,550 | 0 | 0 | 331 |
| 21,350  | 21,400        | 0               | 815       | 1,836        | 23,750  | 23,800        | 0               | 431       | 1,331        | 26,150  | 26,200        | 0               | 48        | 826          | 28,550         | 28,600 | 0 | 0 | 320 |
| 21,400  | 21,450        | 0               | 807       | 1,826        | 23,800  | 23,850        | 0               | 423       | 1,320        | 26,200  | 26,250        | 0               | 40        | 815          | 28,600         | 28,650 | 0 | 0 | 310 |
| 21,450  | 21,500        | 0               | 799       | 1,815        | 23,850  | 23,900        | 0               | 415       | 1,310        | 26,250  | 26,300        | 0               | 32        | 804          | 28,650         | 28,700 | 0 | 0 | 299 |
| 21,500  | 21,550        | 0               | 791       | 1,805        | 23,900  | 23,950        | 0               | 407       | 1,299        | 26,300  | 26,350        | 0               | 24        | 794          | 28,700         | 28,750 | 0 | 0 | 288 |
| 21,550  | 21,600        | 0               | 783       | 1,794        | 23,950  | 24,000        | 0               | 399       | 1,289        | 26,350  | 26,400        | 0               | 16        | 783          | 28,750         | 28,800 | 0 | 0 | 278 |
| 21,600  | 21,650        | 0               | 775       | 1,784        | 24,000  | 24,050        | 0               | 391       | 1,278        | 26,400  | 26,450        | 0               | 8         | 773          | 28,800         | 28,850 | 0 | 0 | 267 |
| 21,650  | 21,700        | 0               | 767       | 1,773        | 24,050  | 24,100        | 0               | 383       | 1,268        | 26,450  | 26,500        | 0               | **        | 762          | 28,850         | 28,900 | 0 | 0 | 257 |
| 21,700  | 21,750        | 0               | 759       | 1,763        | 24,100  | 24,150        | 0               | 375       | 1,257        | 26,500  | 26,550        | 0               | 0         | 752          | 28,900         | 28,950 | 0 | 0 | 246 |
| 21,750  | 21,800        | 0               | 751       | 1,752        | 24,150  | 24,200        | 0               | 367       | 1,247        | 26,550  | 26,600        | 0               | 0         | 741          | 28,950         | 29,000 | 0 | 0 | 236 |
| 21,800  | 21,850        | 0               | 743       | 1,742        | 24,200  | 24,250        | 0               | 359       | 1,236        | 26,600  | 26,650        | 0               | 0         | 731          | 29,000         | 29,050 | 0 | 0 | 225 |
| 21,850  | 21,900        | 0               | 735       | 1,731        | 24,250  | 24,300        | 0               | 351       | 1,226        | 26,650  | 26,700        | 0               | 0         | 720          | 29,050         | 29,100 | 0 | 0 | 215 |
| 21,900  | 21,950        | 0               | 727       | 1,721        | 24,300  | 24,350        | 0               | 343       | 1,215        | 26,700  | 26,750        | 0               | 0         | 710          | 29,100         | 29,150 | 0 | 0 | 204 |
| 21,950  | 22,000        | 0               | 719       | 1,710        | 24,350  | 24,400        | 0               | 335       | 1,205        | 26,750  | 26,800        | 0               | 0         | 699          | 29,150         | 29,200 | 0 | 0 | 194 |
| 22,000  | 22,050        | 0               | 711       | 1,699        | 24,400  | 24,450        | 0               | 327       | 1,194        | 26,800  | 26,850        | 0               | 0         | 689          | 29,200         | 29,250 | 0 | 0 | 183 |
| 22,050  | 22,100        | 0               | 703       | 1,689        | 24,450  | 24,500        | 0               | 319       | 1,184        | 26,850  | 26,900        | 0               | 0         | 678          | 29,250         | 29,300 | 0 | 0 | 173 |
| 22,100  | 22,150        | 0               | 695       | 1,678        | 24,500  | 24,550        | 0               | 311       | 1,173        | 26,900  | 26,950        | 0               | 0         | 668          | 29,300         | 29,350 | 0 | 0 | 162 |
| 22,150  | 22,200        | 0               | 687       | 1,668        | 24,550  | 24,600        | 0               | 303       | 1,162        | 26,950  | 27,000        | 0               | 0         | 657          | 29,350         | 29,400 | 0 | 0 | 152 |
| 22,200  | 22,250        | 0               | 679       | 1,657        | 24,600  | 24,650        | 0               | 295       | 1,152        | 27,000  | 27,050        | 0               | 0         | 646          | 29,400         | 29,450 | 0 | 0 | 141 |
| 22,250  | 22,300        | 0               | 671       | 1,647        | 24,650  | 24,700        | 0               | 287       | 1,141        | 27,050  | 27,100        | 0               | 0         | 636          | 29,450         | 29,500 | 0 | 0 | 131 |
| 22,300  | 22,350        | 0               | 663       | 1,636        | 24,700  | 24,750        | 0               | 279       | 1,131        | 27,100  | 27,150        | 0               | 0         | 625          | 29,500         | 29,550 | 0 | 0 | 120 |
| 22,350  | 22,400        | 0               | 655       | 1,626        | 24,750  | 24,800        | 0               | 271       | 1,120        | 27,150  | 27,200        | 0               | 0         | 615          | 29,550         | 29,600 | 0 | 0 | 109 |
| 22,400  | 22,450        | 0               | 647       | 1,615        | 24,800  | 24,850        | 0               | 263       | 1,110        | 27,200  | 27,250        | 0               | 0         | 604          | 29,600         | 29,650 | 0 | 0 | 99  |
| 22,450  | 22,500        | 0               | 639       | 1,605        | 24,850  | 24,900        | 0               | 255       | 1,099        | 27,250  | 27,300        | 0               | 0         | 594          | 29,650         | 29,700 | 0 | 0 | 88  |
| 22,500  | 22,550        | 0               | 631       | 1,594        | 24,900  | 24,950        | 0               | 247       | 1,089        | 27,300  | 27,350        | 0               | 0         | 583          | 29,700         | 29,750 | 0 | 0 | 78  |
| 22,550  | 22,600        | 0               | 623       | 1,584        | 24,950  | 25,000        | 0               | 239       | 1,078        | 27,350  | 27,400        | 0               | 0         | 573          | 29,750         | 29,800 | 0 | 0 | 67  |
| 22,600  | 22,650        | 0               | 615       | 1,573        | 25,000  | 25,050        | 0               | 231       | 1,068        | 27,400  | 27,450        | 0               | 0         | 562          | 29,800         | 29,850 | 0 | 0 | 57  |
| 22,650  | 22,700        | 0               | 607       | 1,563        | 25,050  | 25,100        | 0               | 223       | 1,057        | 27,450  | 27,500        | 0               | 0         | 552          | 29,850         | 29,900 | 0 | 0 | 46  |
| 22,700  | 22,750        | 0               | 599       | 1,552        | 25,100  | 25,150        | 0               | 215       | 1,047        | 27,500  | 27,550        | 0               | 0         | 541          | 29,900         | 29,950 | 0 | 0 | 36  |
| 22,750  | 22,800        | 0               | 591       | 1,542        | 25,150  | 25,200        | 0               | 207       | 1,036        | 27,550  | 27,600        | 0               | 0         | 531          | 29,950         | 30,000 | 0 | 0 | 25  |
| 22,800  | 22,850        | 0               | 583       | 1,531        | 25,200  | 25,250        | 0               | 199       | 1,026        | 27,600  | 27,650        | 0               | 0         | 520          | 30,000         | 30,050 | 0 | 0 | 15  |
| 22,850  | 22,900        | 0               | 575       | 1,520        | 25,250  | 25,300        | 0               | 191       | 1,015        | 27,650  | 27,700        | 0               | 0         | 510          | 30,050         | 30,095 | 0 | 0 | 5   |
| 22,900  | 22,950        | 0               | 567       | 1,510        | 25,300  | 25,350        | 0               | 183       | 1,005        | 27,700  | 27,750        | 0               | 0         | 499          | 30,095 or more |        | 0 | 0 | 0   |
| 22,950  | 23,000        | 0               | 559       | 1,499        | 25,350  | 25,400        | 0               | 175       | 994          | 27,750  | 27,800        | 0               | 0         | 489          |                |        |   |   |     |
| 23,000  | 23,050        | 0               | 551       | 1,489        | 25,400  | 25,450        | 0               | 167       | 983          | 27,800  | 27,850        | 0               | 0         | 478          |                |        |   |   |     |
| 23,050  | 23,100        | 0               | 543       | 1,478        | 25,450  | 25,500        | 0               | 159       | 973          | 27,850  | 27,900        | 0               | 0         | 467          |                |        |   |   |     |
| 23,100  | 23,150        | 0               | 535       | 1,468        | 25,500  | 25,550        | 0               | 151       | 962          | 27,900  | 27,950        | 0               | 0         | 457          |                |        |   |   |     |
| 23,150  | 23,200        | 0               | 527       | 1,457        | 25,550  | 25,600        | 0               | 143       | 952          | 27,950  | 28,000        | 0               | 0         | 446          |                |        |   |   |     |

\*\*If the amount on line 6 or line 8 of the worksheet is at least \$26,450 but less than \$26,473, your credit is \$2. Otherwise, you **cannot** take the credit.



## Part E. Advance Earned Income Credit

Would you like to get part of your earned income credit now instead of waiting until after the end of the year? If you work for someone and expect to qualify for the earned income credit in 1999, you can choose to get part of the credit in advance. Give your employer a 1999 Form W-5, *Earned Income Credit Advance Payment Certificate*, and your employer will include part of the credit regularly in your pay. The advance payment is only available if you have at least one qualifying child.

### You Can Get Part Of The Credit For One Child *IN ADVANCE* Regularly in Your Paycheck.

Fill Out— To Get:

W-5

\$ PAYCHECK +  
PART OF CREDIT  
IN ADVANCE

**Who can get the advance payment of the earned income credit?** To get part of the earned income credit paid to you throughout the year in your paycheck, you must meet all the following rules.

- 1) You must expect that your earned income and modified AGI will each be less than a certain amount. The amount in 1998 was \$26,473. The amount for 1999 will be higher. (See the 1999 Form W-5 for the 1999 amount.)
- 2) You must have a qualifying child.
- 3) You must expect to meet all the rules in Parts A and B of this publication or in the instructions for Form W-5.

Under certain circumstances, even if you meet these rules, you may not be entitled to get the advance payment of the credit. If your wages are not subject to federal income tax, social security tax, or Medicare tax withholding, you cannot get the advance payment of the earned income credit. If you are a farm worker and are paid on a daily basis, your employer is not required to pay you the advance amount of the credit.

### How To Get Advance Payments for 1999

To get part of the credit in advance, you must fill out a 1999 Form W-5. After you have read the instructions and answered the questions on Form W-5, give the

lower part of the form to your employer. Keep the top part for your records.

**More than one employer.** If you have more than one employer, give a certificate to only one of them. If you are married and both you and your spouse are employed and expect to qualify for the credit, you may give a Form W-5 to your employer and your spouse may give one to his or her employer.



*If you receive advance earned income credit payments in 1999, you must file Form 1040 or Form 1040A for 1999. You must file a return to report what you already received and to take advantage of any additional earned income credit that you may qualify for.*

**Receipt of advance payments you do not qualify for.** If you receive advance payments and later find out that you do not qualify for the credit, you will have to pay back any advance payment you are not entitled to when you file your Form 1040 or Form 1040A.

**When to give your employer a new Form W-5.** The 1999 Form W-5 you give to your employer is valid until December 31, 1999. If you expect to qualify for the earned income credit in 2000 and you want to receive advance payments, you must give your employer a **new** Form W-5 in 2000. Do this each year you think you are eligible for the credit.

If you no longer want to get advance payments or if your situation changes and you no longer qualify for the earned income credit, you must give your employer a new Form W-5. Check the **No** box on line 1 of the new form.

If your spouse files a Form W-5 with his or her employer, you must file a new Form W-5 with your employer. Check the **Yes** box on line 4.

## Advance Payments Received in 1998

If you received advance payments of the earned income credit in 1998, you must file a 1998 tax return to report the payments. Your Form W-2, box 9, will show the amount you received. Report the amount on line 54, Form 1040 or line 33, Form 1040A.



*You cannot use Form 1040EZ to report your advance payments.*

## Part F. Disallowance of Earned Income Credit

This section discusses how you can take the earned income credit again after the IRS has disallowed your claim. If you improperly claim the earned income credit due to reckless or intentional disregard of IRS rules or regulations, you cannot claim the credit for the next 2 years. Also, if you fraudulently claim the earned income credit, you cannot claim the credit for the next 10 years. These sanctions are in addition to any other penalty

imposed, such as the accuracy-related penalty or the fraud penalty.

**Eligibility after denial of credit.** If your EIC claim is denied as the result of deficiency procedures, you cannot claim the credit again unless you attach to your return Form 8862. If you claim the credit without attaching Form 8862, your claim will be automatically denied. If you are subject to the 2- or 10-year disallowance period described below, these rules will apply if you wish to claim the EIC after the disallowance period is over.

If the IRS disallows all or part of your credit because of a mathematical or clerical error, do not file Form 8862. This type of error may include:

- Not including a required social security number on your return,
- Claiming the credit based on earnings from self-employment without paying the correct amount of self-employment tax, or
- Claiming the credit after a previous denial of the credit as the result of deficiency procedures without filing Form 8862.

**Deficiency procedures.** If the IRS questions your eligibility for the earned income credit for reasons other than a mathematical or clerical error, you may receive a letter from IRS asking for information about your eligibility for the credit. If you do not respond to the letter, or the information you provide does not show that you qualify for the credit, the IRS may send you a "notice of deficiency" by certified or registered mail. This notice tells you that your claim for the credit is denied and that you may owe additional tax and interest because the credit was denied. If you do not timely file a petition in the Tax Court, or the Tax Court (or other court) denies your claim, you will be denied the credit and may owe additional tax and interest.

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## Part G. How To Get More Information

You can order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

**Free tax services.** To find out what services are available, get Publication 910, *Guide to Free Tax Services*. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.



**Personal computer.** With your personal computer and modem, you can access the IRS on the Internet at [www.irs.ustreas.gov](http://www.irs.ustreas.gov). While visiting our Web Site, you can select:

- *Frequently Asked Tax Questions* to find answers to questions you may have.

- *Fill-in Forms* to complete tax forms on-line.
- *Forms and Publications* to download forms and publications or search publications by topic or keyword.
- *Comments & Help* to E-mail us with comments about the site or with tax questions.
- *Digital Dispatch* and *IRS Local News Net* to receive our electronic newsletters on hot tax issues and news.

You can also reach us with your computer using any of the following.

- Telnet at [iris.irs.ustreas.gov](http://iris.irs.ustreas.gov)
- File Transfer Protocol at [ftp.irs.ustreas.gov](http://ftp.irs.ustreas.gov)
- Direct dial (by modem) **703-321-8020**



**TaxFax Service.** Using the phone attached to your fax machine, you can receive forms, instructions, and tax information by calling **703-368-9694**. Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.



**Phone.** Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1-800-829-3676** to order current and prior year forms, instructions, and publications.
- *Asking tax questions.* Call the IRS with your tax questions at **1-800-829-1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1-800-829-4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1-800-829-4477** to listen to pre-recorded messages covering various tax topics.

**Evaluating the quality of our telephone services.** To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.



**Walk-in.** You can pick up certain forms, instructions, and publications at many post offices, libraries, and IRS offices. Some libraries and IRS offices have an extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.



**Mail.** You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response 7 to 15 workdays after your request is received. Find the address that applies to your part of the country.

- **Western part of U.S.:**

Western Area Distribution Center  
Rancho Cordova, CA 95743-0001

- **Central part of U.S.:**

Central Area Distribution Center  
P.O. Box 8903  
Bloomington, IL 61702-8903

- **Eastern part of U.S. and foreign addresses:**

Eastern Area Distribution Center  
P.O. Box 85074  
Richmond, VA 23261-5074



**CD-ROM.** You can order IRS Publication 1796, *Federal Tax Products on CD-ROM*, and obtain:

- Current tax forms, instructions, and publications.
- Prior-year tax forms, instructions, and publications.
- Popular tax forms which may be filled-in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) for \$25.00 by calling 1-877-233-6767 or for \$18.00 on the Internet at [www.irs.ustreas.gov/cdorders](http://www.irs.ustreas.gov/cdorders). The first release is available in mid-December and the final release is available in late January.

## Earned Income Credit (EIC) Eligibility Checklist (For use in preparing 1998 tax returns)

*You may claim the earned income credit if you answer YES to all the following questions.\**

|   | YES                      | NO                       |
|---|--------------------------|--------------------------|
| 1. Is the total of your taxable and nontaxable earned income at least \$1 but less than:<br><ul style="list-style-type: none"> <li>• \$10,030 if you do not have a qualifying child,</li> <li>• \$26,473 if you have one qualifying child, or</li> <li>• \$30,095 if you have more than one qualifying child? (See rules A-1, B-1, and C-1.)</li> </ul> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is your modified AGI less than:<br><ul style="list-style-type: none"> <li>• \$10,030 if you do not have a qualifying child,</li> <li>• \$26,473 if you have one qualifying child, or</li> <li>• \$30,095 if you have more than one qualifying child?<br/>(See rules A-1, B-1, and C-1.)</li> </ul>   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is your investment income \$2,300 or less? (See rule A-2.)   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is your filing status married filing jointly, head of household, qualifying widow(er), or single?<br>(See rule A-3.)<br><b>Caution:</b> If you are a nonresident alien, your filing status must be married filing jointly to claim the credit. (See rule A-7.)   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you, your spouse, and your qualifying child each have a social security number? (See rule A-4.)   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Answer <b>YES</b> if you (and your spouse if filing a joint return) are not a qualifying child of another person. (See rule A-5.)  | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Answer <b>YES</b> if you are not filing Form 2555 or Form 2555-EZ to exclude from your gross income any income earned in foreign countries or to deduct or exclude a foreign housing amount. (See rule A-6.)   | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>STOP: If you have a qualifying child, answer questions 8 and 9 and skip 10–12. If you do not have a qualifying child, skip 8 and 9 and answer 10–12.*</b>  |                          |                          |
| 8. Does your child meet the age, relationship, and residency tests for a qualifying child? (See rule B-2.)  | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Is your child a qualifying child only for you? Answer <b>YES</b> if your qualifying child is also a qualifying child for another person but your modified AGI is higher than the other person's (See rule B-3.)  | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Was your main home (and your spouse's if filing a joint return) in the United States for more than half the year? Military personnel on extended active duty outside the United States are considered to be living in the United States. (See rule C-4.)  | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Were you (or your spouse if filing a joint return) at least age 25 but under age 65 at the end of 1998? (See rule C-2.)   | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Answer <b>YES</b> if you (and your spouse if filing a joint return) cannot be claimed as a dependent on anyone else's return. If you (or your spouse if filing a joint return) can be claimed as a dependent on someone else's return, answer <b>NO</b> . (See rule C-3.)   | <input type="checkbox"/> | <input type="checkbox"/> |

\* **PERSONS WITH A QUALIFYING CHILD:** If you answered **YES** to questions 1 through 9, you can claim the credit. Remember to fill out Schedule EIC and attach it to your Form 1040 or Form 1040A. You cannot use Form 1040EZ.

**PERSONS WITHOUT A QUALIFYING CHILD:** If you answered **YES** to questions 1 through 7 and 10 through 12, you can claim the credit.

**IF YOU ANSWERED NO TO ANY QUESTION:** You are not eligible for the credit.