Earned Income Credit (EIC)

For use in preparing 2007 Returns
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Introduction—Begin Here

What is the EIC?
The earned income credit (EIC) is a tax credit for certain people who work and have earned income under $39,783. A tax credit usually means more money in your pocket. It reduces the amount of tax you owe. The EIC may also give you a refund.

Can I Claim the EIC?
To claim the EIC, you must meet certain rules. These rules are summarized in Table 1.

Table 1. Earned Income Credit in a Nutshell

<table>
<thead>
<tr>
<th>First, you must meet all the rules in this column.</th>
<th>Second, you must meet all the rules in one of these columns, whichever applies.</th>
<th>Third, you must meet the rule in this column.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 1. Rules for Everyone</td>
<td>Chapter 2. Rules If You Have a Qualifying Child</td>
<td>Chapter 3. Rules If You Do Not Have a Qualifying Child</td>
</tr>
<tr>
<td>1. Your adjusted gross income (AGI) must be less than:  • $37,783 ($39,783 for married filing jointly) if you have more than one qualifying child,  • $33,241 ($35,241 for married filing jointly) if you have one qualifying child, or  • $12,590 ($14,590 for married filing jointly) if you do not have a qualifying child. (See page 5.)</td>
<td>2. You must have a valid social security number. (See page 5.)</td>
<td>8. Your child must meet the relationship, age, and residency tests. (See page 12.)</td>
</tr>
<tr>
<td>3. Your filing status cannot be “Married filing separately.” (See page 6.)</td>
<td>4. You must be a U.S. citizen or resident alien all year. (See page 6.)</td>
<td>9. Your qualifying child cannot be used by more than one person to claim the EIC. (See page 15.)</td>
</tr>
<tr>
<td>5. You cannot file Form 2555 or Form 2555-EZ (relating to foreign earned income). (See page 7.)</td>
<td>6. Your investment income must be $2,900 or less. (See page 7.)</td>
<td>10. You cannot be a qualifying child of another person. (See page 19.)</td>
</tr>
<tr>
<td>7. You must have earned income. (See page 9.)</td>
<td>11. You must be at least age 25 but under age 65. (See page 20.)</td>
<td>12. You cannot be the dependent of another person. (See page 20.)</td>
</tr>
<tr>
<td>13. You cannot have more than one qualifying child, or  • $37,783 ($39,783 for married filing jointly) if you have more than one qualifying child,  • $33,241 ($35,241 for married filing jointly) if you have one qualifying child, or  • $12,590 ($14,590 for married filing jointly) if you do not have a qualifying child. (See page 21.)</td>
<td>14. You must have lived in the United States more than half of the year. (See page 21.)</td>
<td>15. Your earned income must be less than:  • $37,783 ($39,783 for married filing jointly) if you have more than one qualifying child,  • $33,241 ($35,241 for married filing jointly) if you have one qualifying child, or  • $12,590 ($14,590 for married filing jointly) if you do not have a qualifying child. (See page 22.)</td>
</tr>
</tbody>
</table>
Publication 596
Earned Income Credit (EIC)

Do I Need This Publication?
Certain people who file Form 1040 must use Worksheet 1 in this publication, instead of Step 2 in their Form 1040 instructions, when they are checking whether they can take the EIC. You are one of those people if any of the following statements are true for 2007.

- You are filing Schedule E (Form 1040).
- You are reporting income or a loss from the rental of personal property not used in a trade or business.
- You are reporting income on Form 1040, line 21, from Form 8814 (relating to election to report child's interest and dividends).
- You are reporting an amount on Form 1040, line 13, that includes an amount from Form 4797.

If none of the statements above apply to you, your tax form instructions have all the information you need to find out if you can claim the EIC and to figure the amount of your EIC. You do not need this publication. But you can read it to find out whether you can take the EIC and to learn more about the EIC.

How Do I Figure the Amount of EIC?
If you can claim the EIC, you can either have the IRS figure the amount of your credit, or you can figure it yourself. To figure it yourself, you can complete a worksheet in the instructions for the form you file. To find out how to have the IRS figure it for you, see chapter 4.

How Can I Quickly Locate Specific Information?
You can use the index to look up specific information. In most cases, index entries will point you to headings, tables, or a worksheet.

Is There Help Online?
Yes. You can use the EITC Assistant at www.irs.gov/eitc to find out if you may be eligible for the credit. The EITC Assistant is available in English and Spanish.

How Can I Get EIC in My Paycheck in 2008?
You may prefer to get some of next year's EIC throughout the year, rather than wait and get EIC after you file your tax return. Chapter 6 explains advance payment of EIC and tells how, if you have a qualifying child, you may be able to get some of the EIC in your paycheck in 2008.

What's New
Earned income amount is more. The maximum amount of income you can earn and still get the credit has increased. You may be able to take the credit if:

- You have more than one qualifying child and you earned less than $37,783 ($39,783 if married filing jointly),
- You have one qualifying child and you earned less than $33,241 ($35,241 if married filing jointly), or
- You do not have a qualifying child and you earned less than $12,590 ($14,590 if married filing jointly).

Your adjusted gross income also must be less than the amount in the above list that applies to you. For details, see Rules 1 and 15.

Investment income amount is more. The maximum amount of investment income you can have and still get the credit has increased to $2,900. See Rule 6.
Reminders

**Increased EIC on certain joint returns.** A married person filing a joint return may get more EIC than someone with the same income but a different filing status. As a result, the EIC table has different columns for married persons filing jointly than for everyone else. When you look up your EIC in the EIC Table, be sure to use the correct column for your filing status and the number of children you have.

**Earned income credit has no effect on certain welfare benefits.** Any refund you receive because of the EIC and any advance EIC payments you receive will not be considered income when determining whether you are eligible for the following benefit programs, or how much you can receive from these programs. However, if the amounts you receive are not spent within a certain period of time, they may count as an asset (or resource) and affect your eligibility.

- Medicaid and supplemental security income (SSI).
- Food stamps.
- Low-income housing.

Temporary assistance for needy families (TANF) benefits may be affected. Please check with your state.

**EIC questioned by IRS.** The IRS may ask you to provide documents to prove you are entitled to claim the EIC. We will tell you what documents to send us. These may include: birth certificates, school records, medical records, etc. We will also send you a letter with the name, address, and telephone number of the IRS employee assigned to your case. The process of establishing your eligibility will delay your refund.

**Reporting advance payments of EIC received in 2007.** If you received advance payments of EIC in 2007, you must file Form 1040 or Form 1040A to report the payments. Your Form W-2, box 9, (as shown in Figure 1) will show the amount you received. Report the amount on line 61 (Form 1040) or line 36 (Form 1040A).

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Figure 1. Reporting Advance EIC
Spanish version of Publication 596. You can order Publicación 596SP, Crédito por Ingreso del Trabajo, from the IRS. It is a Spanish translation of Publication 596. See How To Get Tax Help in the Appendix to find out how to order this and other IRS forms and publications.

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Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions. You can write to us at the following address:

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Washington, DC 20224

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Chapter 1. Rules for Everyone

This chapter discusses Rules 1 through 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 chapter, then read either chapter 2 or chapter 3 (whichever applies) for more rules you must meet.

Rule 1. AGI limits

**Rule 1** Your Adjusted Gross Income (AGI) Must Be Less Than:

- $37,783 ($39,783 for married filing jointly) if you have more than one qualifying child,
- $33,241 ($35,241 for married filing jointly) if you have one qualifying child, or
- $12,590 ($14,590 for married filing jointly) if you do not have a qualifying child.

**Adjusted gross income (AGI).** AGI is the amount on line 4 of Form 1040EZ, line 22 of Form 1040A, or line 38 of Form 1040.

If your AGI is equal to or more than the applicable limit listed above, you cannot claim the EIC. You do not need to read the rest of this publication.

**Example.** Your AGI is $34,500, you are single, and you have one qualifying child. You AGI exceeds limit cannot claim the EIC because your AGI is not less than $33,241. However, if your filing status was married filing jointly, you might be able to claim the EIC because your AGI is less than $35,241.

**Community property.** If you are married, but qualify to file as head of household under special rules for married taxpayers living apart (see Rule 3), and live in a state that has community property laws, your AGI includes that portion of both your and your spouse’s wages that you are required to include in gross income. This is different from the community property rules that apply under Rule 7.

Rule 2. Social security number (SSN)

**Rule 2** You Must Have a Valid Social Security Number (SSN)

**Valid SSN.** To claim the EIC, you (and your spouse, if filing a joint return) must have a valid SSN issued by the Social Security Administration (SSA). Any qualifying child listed on Schedule EIC also must have a valid SSN. (See Rule 8 if you have a qualifying child.)

If your social security card (or your spouse’s, if filing a joint return) says “Not valid for employment” and your SSN was issued so that you (or your spouse) could get a federally funded benefit, you cannot get the EIC. An example of a federally funded benefit is Medicaid. If you have a card with the legend “Not valid for employment” and your immigration status has changed so that you are now a U.S. citizen or permanent resident, ask the SSA for a new social security card without the legend. If you get the new card after you have already filed your return, you can file an amended return on Form 1040X, Amended U. S. Individual Income Tax Return, to claim the EIC.
Publication 596  Earned Income Credit (EIC)

U.S. citizen. If you were a U.S. citizen when you received your SSN, you have a valid SSN.

Valid for work only with INS authorization or DHS authorization. If your social security card reads “Valid for work only with INS authorization” or “Valid for work only with DHS authorization,” you have a valid SSN.

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

Other taxpayer identification number. You cannot get the EIC if, instead of an SSN, you (or your spouse, if filing a joint return) have an individual taxpayer identification number (ITIN). ITINs are issued by the Internal Revenue Service to noncitizens who cannot get an SSN.

No SSN. If you do not have a valid SSN, put “No” next to line 66a (Form 1040), line 40a (Form 1040A), or line 8a (Form 1040EZ). You cannot claim the EIC.

Getting an SSN. If you (or your spouse, if filing a joint return) do not have an SSN, you can apply for one by filing Form SS-5 with the Social Security Administration.

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 6-month extension of time to file your return. You can get this extension by filing Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. For more information, see the instructions for Form 4868.

2. File the return on time without claiming the EIC. After receiving the SSN, file an amended return, Form 1040X, claiming the EIC. Attach a filled-in Schedule EIC, Earned Income Credit, if you have a qualifying child.

**Rule 3**

**Your Filing Status Cannot Be “Married Filing Separately”**

If you are married, you usually must file a joint return to claim the EIC. Your filing status cannot be “Married filing separately.”

Spouse did not live with you. If you are married and your spouse did not live in your home at any time during the last 6 months of the year, you may be able to file as head of household, instead of married filing separately. In that case, you may be able to claim the EIC. For detailed information about filing as head of household, see Publication 501, Exemptions, Standard Deduction, and Filing Information.

**Rule 4**

**You Must Be a U.S. Citizen or Resident Alien All Year**

If you (or your spouse, if married) were a nonresident alien for any part of the year, you cannot claim the earned income credit unless your filing status is married filing jointly.

You can use that filing status only if one spouse is a U.S. citizen or resident alien and you choose to treat the nonresident spouse as a U.S. resident. If you make this choice, you and your spouse are taxed on your worldwide income. If you need more information on making this choice, get Publication 519, U.S. Tax Guide for Aliens. If you (or your spouse, if married) were a nonresident alien for any part of the year and your filing status is not married filing jointly, enter “No” on the dotted line next to line 66a (Form 1040) or in the space to the left of line 40a (Form 1040A).
Chapter 1. Rules for Everyone

Rule 5. Foreign earned income

Rule 5: You Cannot File Form 2555 or Form 2555-EZ
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.

Rule 6. Investment income

Rule 6: Your Investment Income Must Be $2,900 or Less
You cannot claim the earned income credit unless your investment income is $2,900 or less. If your investment income is more than $2,900, you cannot claim the credit.

Form 1040EZ. If you file Form 1040EZ, your investment income is the total of the amount on line 2 and the amount of any tax-exempt interest you wrote to the right of the words “Form 1040EZ” on line 2.

Form 1040A. If you file Form 1040A, your investment income is the total of the amounts on lines 8a (taxable interest), 8b (tax-exempt interest), 9a (ordinary dividends), and 10 (capital gain distributions) on that form.

Form 1040. If you file Form 1040, use Worksheet 1, on the next page, to figure your investment income.
**Worksheet 1. Investment Income If You Are Filing Form 1040**

Use this worksheet to figure investment income for the earned income credit when you file Form 1040.

<table>
<thead>
<tr>
<th><strong>Interest and Dividends</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter any amount from Form 1040, line 8a.</td>
<td>1.</td>
</tr>
<tr>
<td>2. Enter any amount from Form 1040, line 8b, plus any amount on Form 8814, line 1b.</td>
<td>2.</td>
</tr>
<tr>
<td>3. Enter any amount from Form 1040, line 9a.</td>
<td>3.</td>
</tr>
<tr>
<td>4. Enter the amount from Form 1040, line 21, that is from Form 8814 if you are filing that form to report your child’s interest and dividend income on your return. (If your child received an Alaska Permanent Fund dividend, use Worksheet 2, on the next page, to figure the amount to enter on this line.)</td>
<td>4.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Capital Gain Net Income</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Enter the amount from Form 1040, line 13. If the amount on that line is a loss, enter -0-.</td>
<td>5.</td>
</tr>
<tr>
<td>6. Enter any gain from Form 4797, Sales of Business Property, line 7. If the amount on that line is a loss, enter -0-. (But, if you completed lines 8 and 9 of Form 4797, enter the amount from line 9 instead.)</td>
<td>6.</td>
</tr>
<tr>
<td>7. Subtract line 6 of this worksheet from line 5 of this worksheet. (If the result is less than zero, enter -0-.)</td>
<td>7.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Royalties and Rental Income from Personal Property</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Enter any royalty income from Schedule E, line 4, plus any income from the rental of personal property shown on Form 1040, line 21.</td>
<td>8.</td>
</tr>
<tr>
<td>9. Enter any expenses from Schedule E, line 21, related to royalty income, plus any expenses from the rental of personal property deducted on Form 1040, line 36.</td>
<td>9.</td>
</tr>
<tr>
<td>10. Subtract the amount on line 9 of this worksheet from the amount on line 8. (If the result is less than zero, enter -0-.)</td>
<td>10.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Passive Activities</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Enter the total of any net income from passive activities (included on Schedule E, lines 26, 29b (col. (f)), 34b (col. (d)), and 40). (See instructions below for lines 11 and 12.)</td>
<td>11.</td>
</tr>
<tr>
<td>12. Enter the total of any losses from passive activities (included on Schedule E, lines 26, 29b (col. (f)), 34b (col. (d)), and 40). (See instructions below for lines 11 and 12.)</td>
<td>12.</td>
</tr>
<tr>
<td>13. Combine the amounts on lines 11 and 12 of this worksheet. (If the result is less than zero, enter -0-.)</td>
<td>13.</td>
</tr>
<tr>
<td>14. Add the amounts on lines 1, 2, 3, 4, 7, 10, and 13. Enter the total. This is your Investment Income.</td>
<td>14.</td>
</tr>
<tr>
<td>15. Is the amount on line 14 more than $2,900?</td>
<td></td>
</tr>
<tr>
<td>❓ Yes. You cannot take the credit.</td>
<td></td>
</tr>
<tr>
<td>❓ No. Go to Step 3 of the Form 1040 instructions for lines 66a and 66b to find out if you can take the credit (unless you are using this publication to find out if you can take the credit; in that case, go to Rule 7, next).</td>
<td></td>
</tr>
</tbody>
</table>

**Instructions for lines 11 and 12.** In figuring the amount to enter on lines 11 and 12, do not take into account any royalty income (or loss) included on line 26 of Schedule E or any amount included in your earned income. To find out if the income on line 26 or line 40 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.
Worksheet 2. Worksheet for Line 4 of Worksheet 1

Complete this worksheet only if Form 8814 includes an Alaska Permanent Fund dividend.

1. Enter the amount from Form 8814, line 2a.
2. Enter the amount from Form 8814, line 2b.
3. Subtract line 2 from line 1.
4. Enter the amount from Form 8814, line 1a.
5. Add lines 3 and 4.
6. Enter the amount of the child’s Alaska Permanent Fund dividend.
7. Divide line 6 by line 5. Enter the result as a decimal (rounded to at least three places).
8. Enter the amount from Form 8814, line 12.
9. Multiply line 7 by line 8.
10. Subtract line 9 from line 8. Enter the result on line 4 of Worksheet 1.

(If filing more than one Form 8814, enter on line 4 of Worksheet 1 the total of the amounts on line 10 of all Worksheets 2.)

Example. Your 10-year-old child has taxable interest income of $400, an Alaska Permanent Fund dividend of $1,000, and ordinary dividends of $1,100, of which $500 are qualified dividends. You choose to report this income on your return. You enter $400 on line 1a of Form 8814, $2,100 ($1,000 + $1,100) on line 2a, and $500 on line 2b. After completing lines 4 through 11, you enter $640 on line 12 of Form 8814 and line 21 of Form 1040. On Worksheet 2, you enter $2,100 on line 1, $500 on line 2, $1,600 on line 3, $400 on line 4, $2,000 on line 5, $1,000 on line 6, $500 on line 7, $640 on line 8, $320 on line 9, and $320 on line 10. You then enter $320 on line 4 of Worksheet 1.

**Rule 7 You Must Have 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. If you are an employee, earned income includes all the taxable income you get from your employer.

**Rule 15** has information that will help you figure the amount of your earned income. If you are self-employed or a statutory employee, you will figure your earned income on EIC Worksheet B in the Form 1040 instructions.

**Earned Income**

Earned income includes all of the following types of income.

1. Wages, salaries, tips, and other taxable employee pay. Employee pay is earned income only if it is taxable. Nontaxable employee pay, such as certain dependent care benefits and adoption benefits, is not earned income. But there is an exception for nontaxable combat pay, which you can choose to include in earned income, as explained below.


3. Gross income received as a statutory employee.

**Wages, salaries, and tips.** Wages, salaries, and tips you receive for working are reported to you on Form W-2, box 1. You should report these on line 1 (Form 1040EZ) or line 7 (Forms 1040A and 1040).
Nontaxable combat pay election. You can elect to include your nontaxable combat pay in earned income for the earned income credit. The amount of your nontaxable combat pay should be shown on your Form W-2, in box 12, with code Q. Electing to include nontaxable combat pay in earned income may increase or decrease your EIC. For details, see Nontaxable combat pay in chapter 4.

Net earnings from self-employment. You may have net earnings from self-employment if:

• You own your business, or
• You are a minister or member of a religious order.

Minister’s housing. The rental value of a home or a housing allowance provided to a minister as part of the minister’s pay generally is not subject to income tax but is included in net earnings from self-employment. For that reason, it is included in earned income for the EIC (except in certain cases described in Approved Form 4361 or Form 4029, below). See Example 4 in chapter 7.

Statutory employee. You are a statutory employee if you receive a Form W-2 on which the “Statutory employee” box (box 13) is checked. You report your income and expenses as a statutory employee on Schedule C or C-EZ (Form 1040).

Strike benefits. Strike benefits paid by a union to its members are earned income.

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 social security taxes. Each form is discussed in this section in terms of what is or is not earned income for purposes of the EIC.

Form 4361. Even if you have an approved Form 4361, amounts you received for performing ministerial duties as an employee count as earned income. This includes wages, salaries, tips, and other taxable employee compensation. Amounts you received for performing ministerial duties, but not as an employee, do not count as earned income. Examples include fees for performing marriages and honoraria for delivering speeches.

Form 4029. Even if you have an approved Form 4029, all wages, salaries, tips, and other taxable employee compensation count as earned income. However, amounts you received as a self-employed individual do not count as earned income. Also, in figuring earned income, do not subtract losses on Schedule C, C-EZ, or F from wages on line 7 of Form 1040.

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 12a and 12b.
Chapter 2. Rules for Everyone

Disability insurance payments. Payments you received from a disability insurance policy that you paid the premiums for are not earned income. It does not matter whether you have reached minimum retirement age. If this policy is through your employer, the amount may be shown in box 12 of your Form W-2 with code “J.”

Income That Is Not Earned Income

Examples of items that are not earned income include interest and dividends, pensions and annuities, social security and railroad retirement benefits (including disability benefits), alimony and child support, welfare benefits, workers’ compensation benefits, unemployment compensation (insurance), nontaxable foster care payments, and veterans’ benefits, including VA rehabilitation payments. Do not include any of these items in your earned income.

Earnings while an inmate. Amounts received for work performed while an inmate in a penal institution are not earned income when figuring the earned income credit. This includes amounts for work performed while in a work release program or while in a halfway house.

Workfare payments. Nontaxable workfare payments are not earned income for the EIC. These are cash payments certain people receive from a state or local agency that administers public assistance programs funded under the federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as (1) work experience activities (including remodeling or repairing public housing) if sufficient private sector employment is not available, or (2) community service program activities.

Community property. If you are married, but qualify to file as head of household under special rules for married taxpayers living apart (see Rule 3), and live in a state that has community property laws, your earned income for the EIC 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 EIC, even though you must include it in your gross income on your income tax return. Your earned income includes the entire amount you earned, even if part of it is treated as belonging to your spouse under your state’s community property laws.

Nontaxable military pay. Nontaxable pay for members of the Armed Forces is not considered earned income for the EIC. Examples of nontaxable military pay are combat pay, the Basic Allowance for Housing (BAH), and the Basic Allowance for Subsistence (BAS). See Publication 3, Armed Forces’ Tax Guide, for more information.

Combat pay. You can elect to have your nontaxable combat pay considered earned income for the EIC. See Nontaxable combat pay election on page 10.
Chapter 2. Rules If You Have a Qualifying Child

If you have met all the rules in chapter 1, use this chapter to see if you have a qualifying child. This chapter discusses Rules 8 through 10. You must meet all three of those rules, in addition to the rules in chapters 1 and 4, to qualify for the earned income credit with a qualifying child.

You must file Form 1040 or Form 1040A to claim the EIC with a qualifying child. (You cannot file Form 1040EZ). You also must complete Schedule EIC and attach it to your return. If you meet all the rules in chapter 1 and this chapter, read chapter 4 to find out what to do next.

No qualifying child. If you do not meet Rule 8, you do not have a qualifying child. Read chapter 3 to find out if you can get the earned income credit without a qualifying child.

Rule 8. Your Child Must Meet the Relationship, Age, and Residency Tests

Your child is a qualifying child if your child meets three tests. The three tests are:

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

The three tests are illustrated in Figure 2 on page 13. The paragraphs that follow contain more information about each test.

Relationship Test

To be your qualifying child, a child must be your:

- Son, daughter, stepchild, foster child, or a descendant of any of them (for example, your grandchild), or
- Brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew).

The following definitions clarify the relationship test.

Adopted child. An adopted child is always treated as your own child. The term “adopted child” includes a child who was lawfully placed with you for legal adoption.

Foster child. For the EIC, a person is your foster child if the child is placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. (An authorized placement agency includes a state or local government agency. It also includes a tax-exempt organization licensed by a state. In addition, it includes an Indian tribal government or an organization authorized by an Indian tribal government to place Indian children.)

Example. Debbie, who is 12 years old, was placed in your care 2 years ago by an authorized agency responsible for placing children in foster homes. Debbie is your foster child.
Chapter 2. Rules If You Have a Qualifying Child

Figure 2. Tests for Qualifying Child

<table>
<thead>
<tr>
<th>Relationship</th>
<th>A qualifying child is a child who is your . . .</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Son, daughter, stepchild, foster child (see definition on page 12), or a descendant of any of them (for example, your grandchild)</td>
</tr>
<tr>
<td></td>
<td>OR Brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew)</td>
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<table>
<thead>
<tr>
<th>Age</th>
<th>AND</th>
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<tr>
<td></td>
<td>was . . .</td>
</tr>
<tr>
<td></td>
<td>Under age 19 at the end of 2007</td>
</tr>
<tr>
<td></td>
<td>OR Under age 24 at the end of 2007 and a student</td>
</tr>
<tr>
<td></td>
<td>OR Permanently and totally disabled at any time during the year, regardless of age</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Residency</th>
<th>AND</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>who . . .</td>
</tr>
<tr>
<td></td>
<td>Lived with you in the United States for more than half of 2007.</td>
</tr>
</tbody>
</table>

Married child. If your child was married at the end of the year, he or she does not meet the relationship test unless either of these two situations applies to you:

1. You can claim the child’s exemption, or
2. The reason you cannot claim the child’s exemption is that you gave that right to your child’s other parent under the Special rule for divorced or separated parents, described later.

Age Test

Your child must be:

1. Under age 19 at the end of 2007,
2. Under age 24 at the end of 2007 and a student, or

The following example and definitions clarify the age test.
Example:  Child not under age 19

Example. Your son turned 19 on December 10. Unless he was disabled or a student, he is not a qualifying child because, at the end of the year, he was not under age 19.

Student defined. To qualify as a student, your child must be, during some part of each of any 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 regular student body at the school, 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.
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.

School defined. A school can be an elementary school, junior or senior high school, college, university, or technical, trade, or mechanical school. However, on-the-job training courses, correspondence schools, and schools offering courses only through the Internet do not count as schools for the EIC.

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

Permanently and totally disabled. Your child is permanently and totally disabled if both of the following apply.
1. He or she cannot engage in any substantial gainful activity because of a physical or mental condition.
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.

Residency Test
Your child must have lived with you in the United States for more than half of 2007. The following definitions clarify the residency test.

United States. This means the 50 states and the District of Columbia. It does not include Puerto Rico or U.S. possessions such as Guam.

Homeless shelter. Your home can be any location where you regularly live. You do not need a traditional home. For example, if your child lived with you for more than half the year in one or more homeless shelters, your child meets the residency test.

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 EIC.

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 do not serve more than 90 days.

Birth or death of child. A child who was born or died in 2007 is treated as having lived with you for all of 2007 if your home was the child’s home the entire time he or she was alive in 2007.
Temporary absences. Count time that you or your child is away from home on a temporary absence due to a special circumstance as time lived with you. Examples of a special circumstance include illness, school attendance, business, vacation, military service, and detention in a juvenile facility.

Kidnapped child. A kidnapped child is treated as living with you for more than half of the year if the child lived with you for more than half the part of the year before the date of the kidnapping. The child must be presumed by law enforcement authorities to have been kidnapped by someone who is not a member of your family or the child's family. This treatment applies for all years until the child is returned. However, the last year this treatment can apply is the earlier of:

1. The year there is a determination that the child is dead, or
2. The year the child would have reached age 18.

If your qualifying child has been kidnapped and meets these requirements, enter “KC,” instead of a number, on line 6 of Schedule EIC.

Social security number. Your qualifying child must have a valid social security number (SSN), unless the child was born and died in 2007. You cannot claim the EIC on the basis of a qualifying child if:

1. Your qualifying child’s SSN is missing from your tax return or is incorrect,
2. Your qualifying child’s social security card says “Not valid for employment” and was issued for use in getting a federally funded benefit, or
3. Instead of an SSN, your qualifying child has:
   a. An individual taxpayer identification number (ITIN), which is issued to a noncitizen who cannot get an SSN, or
   b. An adoption taxpayer identification number (ATIN), issued to adopting parents who cannot get an SSN for the child being adopted until the adoption is final.

If you have two qualifying children and only one has a valid SSN, you can claim the EIC only on the basis of that child. For more information about SSNs, see Rule 2.

Rule 9. Your Qualifying Child Cannot Be Used By More Than One Person To Claim the EIC

Sometimes a child meets the rules to be a qualifying child of more than one person. However, only one person can treat that child as a qualifying child and claim the EIC using that child. The paragraphs that follow will help you decide who, if anyone, can claim the EIC when more than one person has the same qualifying child.

You can choose which person will claim the EIC. If you and someone else have the same qualifying child, you and the other person(s) can decide which of you, if otherwise eligible, will take all of the following tax benefits based on the qualifying child.

- The child’s exemption.
- The child tax credit.
- Head of household filing status.
- The credit for child and dependent care expenses.
- The exclusion for dependent care benefits.
- The EIC.

The other person cannot take any of these six tax benefits unless he or she has a different qualifying child.
If you and the other person(s) cannot agree and more than one person claims the EIC or the other tax benefits just listed using the same child, the tie-breaker rule (explained in Table 2) applies. However, the tie-breaker rule does not apply if the other person is your spouse and you file a joint return.

Table 2. When More Than One Person Files a Return Claiming the Same Qualifying Child (Tie-Breaker Rule)

Caution. If a child is treated as the qualifying child of the noncustodial parent under the special rule for divorced or separated parents described later, see Applying Rule 9 to divorced or separated parents, later.

<table>
<thead>
<tr>
<th>IF more than one person files a return claiming the same qualifying child and ...</th>
<th>THEN the child will be treated as the qualifying child of the ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>only one of the persons is the child’s parent,</td>
<td>parent.</td>
</tr>
<tr>
<td>two of the persons are parents of the child and they do not file a joint return together,</td>
<td>parent with whom the child lived the longest during the year.</td>
</tr>
<tr>
<td>two of the persons are parents of the child, the child lived with each parent the same amount of time during the year, and the parents do not file a joint return together,</td>
<td>parent with the higher adjusted gross income (AGI).</td>
</tr>
<tr>
<td>none of the persons are the child’s parent,</td>
<td>person with the highest AGI.</td>
</tr>
</tbody>
</table>

If another person claims the EIC using this child. If your EIC is denied because your qualifying child is treated under this rule as the qualifying child of another person for 2007, you may be able to take the EIC using a different qualifying child, but you cannot take the EIC using the rules in chapter 3 for people who do not have a qualifying child.

If the other person cannot claim the EIC. If you and someone else have the same qualifying child but the other person cannot claim the EIC because he or she is not eligible or his or her earned income or AGI is too high, you may be able to treat the child as a qualifying child. See Example 5. But also see You can choose which person will claim the EIC, earlier.

Examples. The following examples may help you in determining whether you can claim the EIC when you and someone else have the same qualifying child.

Example 1. You and your 2-year-old son lived with your mother all year. You are 25 years old. Your only income was $9,000 from a part-time job. Your mother’s only income was $20,000 from her job. Your son is a qualifying child of both you and your mother because he meets the relationship, age, and residency tests for both you and your mother. However, only one of you can treat him as a qualifying child to claim the EIC (and, if that person qualifies, the other tax benefits listed on page 15). You agree to let your mother claim him. This means, if you do not claim your son as a qualifying child for the EIC or any of the other tax benefits listed on page 15, your mother can treat your son as a qualifying child to claim the EIC (and any other tax benefit listed on page 15 for which she qualifies).

Example 2. The facts are the same as in Example 1 except that you and your mother both claim your son as a qualifying child. In this case, you as the child’s parent will be the only one allowed to claim your son as a qualifying child for the EIC and the other tax benefits listed on page 15. The IRS will disallow your mother’s claim to the EIC and any other tax benefits listed on page 15 unless she has another qualifying child.
Chapter 2. Rules If You Have a Qualifying Child

Example 3. The facts are the same as in Example 1 except that you also have two other young children who are qualifying children of both you and your mother. Only one of you can claim each child as a qualifying child. However, you and your mother can split the three qualifying children between you. For example, you can use one child and your mother can use the other two.

Example 4. The facts are the same as in Example 1 except that you are only 18 years old. This means you are a qualifying child of your mother. Because of Rule 10, discussed next, you cannot claim the EIC. Only your mother may be able to treat your son as a qualifying child to claim the EIC. If your mother meets all the other requirements for claiming the EIC and you do not claim your son as a qualifying child for any of the other tax benefits listed on page 15, your mother can treat both you and your son as qualifying children for the EIC.

Example 5. The facts are the same as in Example 1 except that your mother earned $50,000 from her job. Because your mother’s earned income is too high for her to claim the EIC, only you can claim the EIC using your son.

Example 6. You, your husband, and your 10-year-old son lived together until August 1, 2007, when your husband moved out of the household. In August and September, your son lived with you. For the rest of the year, your son lived with your husband. Your son is a qualifying child of both you and your husband because your son lived with each of you for more than half the year and because he met the relationship and age tests for both of you. At the end of the year, you and your husband still were not divorced, legally separated, or separated under a written separation agreement, so the special rule for divorced or separated parents does not apply.

You and your husband will file separate returns. Your husband agrees to let you treat your son as a qualifying child. This means, if your husband does not claim your son as a qualifying child for any of the tax benefits listed on page 15, you can claim him as a qualifying child for any tax benefit listed on page 15 for which you qualify. However, you cannot claim head of household filing status because you and your husband did not live apart the last 6 months of the year. As a result, your filing status is married filing separately, so you cannot claim the EIC or the credit for child and dependent care expenses. See Rule 3.

Example 7. The facts are the same as in Example 6 except that you and your husband both claim your son as a qualifying child. In this case, only your husband will be allowed to treat your son as a qualifying child. This is because, during 2007, the boy lived with him longer than with you. You cannot claim the EIC for persons either with or without a qualifying child. However, because you and your husband did not live apart the last 6 months of the year, your husband cannot claim head of household filing status. As a result, his filing status is married filing separately, so he cannot claim the EIC or the credit for child and dependent care expenses. See Rule 3.

Example 8. You, your 5-year-old son, and your son’s father lived together all year. You and your son’s father are not married. Your son is a qualifying child of both you and his father because he meets the relationship, age, and residency tests for both you and his father. You earned $12,000 and your son’s father earned $14,000. Neither of you had any other income. Your son’s father agrees to let you treat the child as a qualifying child. This means, if your son’s father does not claim your son as a qualifying child for the EIC or any of the other tax benefits listed on page 15, you can claim him as a qualifying child for the EIC and any other tax benefit listed on page 15 for which you qualify.
Example 9. The facts are the same as in Example 8 except that you and your son’s father both claim your son as a qualifying child. In this case, only your son’s father will be allowed to treat your son as a qualifying child. This is because his AGI, $14,000, is more than your AGI, $12,000. You cannot claim the EIC for persons either with or without a qualifying child.

Example 10. You and your 7-year-old niece, your sister’s child, lived with your mother all year. You are 25 years old, and your only income was $9,300 from a part-time job. Your mother’s only income was $15,000 from her job. Your niece is a qualifying child of both you and your mother because she meets the relationship, age, and residency tests for both you and your mother. However, only one of you can treat her as a qualifying child. Your mother agrees to let you treat the child as a qualifying child. This means, if your mother does not claim her as a qualifying child for the EIC or any of the other tax benefits listed on page 15, you can claim your niece as a qualifying child for the EIC and any other tax benefit listed on page 15 for which you qualify.

Example 11. The facts are the same as in Example 10 except that you and your mother both claim your niece as a qualifying child. In this case, only your mother will be allowed to treat your niece as a qualifying child. This is because your mother’s AGI, $15,000, is more than your AGI, $9,300.

Special rule for divorced or separated parents. A child will be treated as the qualifying child of his or her noncustodial parent (for purposes of claiming an exemption, but not for the EIC) if all of the following apply.

1. The parents:
   a. Are divorced or legally separated under a decree of divorce or separate maintenance,
   b. Are separated under a written separation agreement, or
   c. Lived apart at all times during the last 6 months of 2007.

2. The child received over half of his or her support for the year from the parents.

3. The child is in the custody of one or both parents for more than half of 2007.

4. Either of the following statements is true.
   a. The custodial parent signs Form 8332 or a substantially similar statement that he or she will not claim the child as a dependent for the year, and the noncustodial parent attaches the form or statement to his or her return. If the divorce decree or separation agreement went into effect after 1984, the noncustodial parent can attach certain pages from the decree or agreement instead of Form 8332.
   b. A pre-1985 decree of divorce or separate maintenance or written separation agreement that applies to 2007 provides that the noncustodial parent can claim the child as a dependent, and the noncustodial parent provides at least $600 for support of the child during 2007.

For details, see Pub. 501. Also see Applying Rule 9 to divorced or separated parents, next.

Applying Rule 9 to divorced or separated parents. If a child is treated as the qualifying child of the noncustodial parent under the special rule for children of divorced or separated parents just described, only the noncustodial parent can claim an exemption and the child tax credit for the child. However, the noncustodial parent cannot claim the child as a qualifying child for the other tax benefits listed on page 15. Only the custodial parent or other eligible taxpayer can claim the child as a qualifying child for those tax benefits. However, if the custodial parent and another eligible taxpayer both file a return
claiming the child as a qualifying child for any of these four tax benefits, the IRS will disallow all but one of the claims using the tie-breaker rule in Table 2.

Example 1. You and your 5-year-old son lived all year with your mother, who paid the entire cost of keeping up the home. Under the rules for children of divorced or separated parents, your son is treated as the qualifying child of his father, who can claim an exemption and the child tax credit for the child if he meets all the requirements to do so. Because of this, you cannot claim an exemption or the child tax credit for your son. However, your son's father cannot claim your son as a qualifying child for head of household filing status, the credit for child and dependent care expenses, the exclusion for dependent care benefits, or the EIC. You and your mother did not have any child care expenses or dependent care benefits, but the boy is a qualifying child of both you and your mother for the EIC and head of household filing status because he meets the relationship, age, residency, and support tests for both you and your mother. (Note: The support test does not apply for the EIC.) However, you agree to let your mother claim your son. This means she can claim him for the EIC and head of household filing status if she qualifies for each and if you do not claim him as a qualifying child for the EIC. (You cannot claim head of household filing status because your mother paid the entire cost of keeping up the home.)

Example 2. The facts are the same as in Example 1 except that you and your mother both claim your son as a qualifying child for the EIC. Your mother also claims him as a qualifying child for head of household filing status. You as the child's parent will be the only one allowed to claim your son as a qualifying child for the EIC. The IRS will disallow your mother's claim to the EIC and head of household filing status unless she has another qualifying child.

Rule 10. You Cannot Be a Qualifying Child of Another Person

You are a qualifying child of another person (your parent, guardian, foster parent, etc.) if all of the following statements are true.

1. You are that person's son, daughter, stepchild, grandchild, or foster child. Or, you are that person's brother, sister, half brother, half sister, stepbrother, or stepsister (or the child or grandchild of that person's brother, sister, half brother, half sister, stepbrother, or stepsister).

2. At the end of the year you were under age 19, or under age 24 and a student, or any age if you were permanently and totally disabled at any time during the year.

3. You lived with that person in the United States for more than half of the year.

For more details about the tests to be a qualifying child, see Rule 8.

If you (or your spouse, if filing a joint return) are a qualifying child of another person, you cannot claim the EIC. This is true even if the person for whom you are a qualifying child does not claim the EIC or meet all of the rules to claim the EIC. Put "No" beside line 66a (Form 1040) or line 40a (Form 1040A).

Example. 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. Because you meet the relationship, age, and residency tests, you are a qualifying child of your mother. She can claim the EIC if she meets all the other requirements. Because you are your mother's qualifying child, you cannot claim the EIC. This is so even if your mother cannot or does not claim the EIC.
Chapter 3. Rules If You Do Not Have a Qualifying Child

You can file Form 1040, Form 1040A, or Form 1040EZ to claim the EIC without a qualifying child. If you meet all the rules in chapter 1 and this chapter, read chapter 4 to find out what to do next.

If you have a qualifying child. If you meet Rule 8, you have a qualifying child. If you meet Rule 8 and do not claim the EIC with a qualifying child, you cannot claim the EIC without a qualifying child.

Rule 11. Age

You must be at least age 25 but under age 65 at the end of 2007. 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 2007. It does not matter which spouse meets the age test, as long as one of the spouses does.

If neither you nor your spouse meets the age test, you cannot claim the EIC. Put “No” next to line 66a (Form 1040), line 40a (Form 1040A), or line 8a (Form 1040EZ).

Examples: Age

Example 1. You are age 28 and unmarried. You meet the age test.

Example 2. You are married and filing a joint return. You are age 23 and your spouse is age 27. You meet the age test because your spouse is at least age 25 but under age 65.

Rule 12. Dependent of another person

You cannot be the dependent of another person if you are not filing a joint return, you meet this rule if:

- You checked box 6a on Form 1040 or 1040A, or
- You did not check the “You” box on line 5 of Form 1040EZ, and you entered $8,750 on that line.

If you are filing a joint return, you meet this rule if:

- You checked both box 6a and box 6b on Form 1040 or 1040A, or
- You and your spouse did not check either the “You” box or the “Spouse” box on line 5 of Form 1040EZ, and you entered $17,500 on that line.

If you are not sure whether someone else can claim you (or your spouse if filing a joint return) as a dependent, get Publication 501 and read the rules for claiming a dependent. If someone else can claim you (or your spouse if filing a joint return) as a dependent on his or her return, but does not, you still cannot claim the credit.

Examples: Dependent of another person

Example 1. In 2007, you were age 25, single, and living at home with your parents. You worked and were 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 by not checking the “You” box on line 5 of your Form 1040EZ and by entering $8,750 on that line. You meet this rule.
Chapter 3. Rules If You Do Not Have a Qualifying Child

Example 2. The facts are the same as in Example 1, except that you earned $2,000. Your parents can claim you as a dependent but decide not to. You do not meet this rule. You cannot claim the credit because your parents could have claimed you as a dependent.

Rule 13. Qualifying child of another person

You are a qualifying child of another person (your parent, guardian, foster parent, etc.) if all of the following statements are true.

1. You are that person's son, daughter, stepchild, grandchild, or foster child. Or, you are that person's brother, sister, half brother, half sister, stepbrother, or stepsister (or the child or grandchild of that person's brother, sister, half brother, half sister, stepbrother, or stepsister).

2. At the end of the year you were under age 19, or under age 24 and a student, or any age if you were permanently and totally disabled at any time during the year.

3. You lived with that person in the United States for more than half of the year.

For more details about the tests to be a qualifying child, see Rule 8.

Example: Qualifying child of another person

Example. 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 three days a week to answer telephones. You earned $3,400 for the year and provided more than half of your own support. Because you meet the relationship, age, and residency tests, you are a qualifying child of your mother for the EIC. She can claim the EIC if she meets all the other requirements. Because you are a qualifying child of your mother, you cannot claim the EIC. This is so even if your mother cannot or does not claim the EIC.

Rule 14. Main home in United States

You must have lived in the United States more than half of the year.

Your home (and your spouse’s, if filing a joint return) must have been in the United States for more than half the year.

If it was not, put “No” next to line 66a (Form 1040), line 40a (Form 1040A), or line 8a (Form 1040EZ).

United States. This means the 50 states and the District of Columbia. It does not include Puerto Rico or U.S. possessions such as Guam.

Homeless shelter. Your home can be any location where you regularly live. You do not need a traditional home. If you lived in one or more homeless shelters in the United States for more than half the year, you meet this rule.

Military personnel stationed outside the United States. U.S. military personnel stationed outside the United States on extended active duty (defined on page 14) are considered to live in the United States during that duty period for purposes of the EIC.
Chapter 4. Figuring and Claiming the EIC

You must meet one more rule to be eligible to claim the EIC.

You need to know the amount of your earned income to see if you meet the rule in this chapter. You also need to know that amount to figure your EIC.

Rule 15. Earned income limits

**Rule 15** Your Earned Income Must Be Less Than:

- $37,783 ($39,783 for married filing jointly) if you have more than one qualifying child,
- $33,241 ($35,241 for married filing jointly) if you have one qualifying child, or
- $12,590 ($14,590 for married filing jointly) if you do not have a qualifying child.

Earned Income

Earned income generally means wages, salaries, tips, other taxable employee pay, and net earnings from self-employment. Employee pay is earned income only if it is taxable. Nontaxable employee pay, such as certain dependent care benefits and adoption benefits, is not earned income. But there is an exception for nontaxable combat pay, which you can choose to include in earned income. Earned income is explained in detail in Rule 7 in chapter 1.

Figuring earned income. If you are self-employed, a statutory employee, or a member of the clergy or a church employee who files Schedule SE (Form 1040), you will figure your earned income when you fill out Part 4 of EIC Worksheet B in the Form 1040 instructions.

Otherwise, figure your earned income by using the worksheet in Step 5 of the Form 1040 instructions for lines 66a and 66b or the Form 1040A instructions for lines 40a and 40b, or the worksheet in Step 2 of the Form 1040EZ instructions for lines 8a and 8b.

When using one of those worksheets to figure your earned income, you will start with the amount on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ). You will then reduce that amount by any amount included on that line and described in the following list.

- **Scholarship or fellowship grants not reported on a Form W-2.** A scholarship or fellowship grant that was not reported to you on a Form W-2 is not considered earned income for the earned income credit.

- **Inmates.** Amounts received for work performed while an inmate in a penal institution are not earned income for the earned income credit. This includes amounts received for work performed while in a work release program or while in a halfway house. If you received any amount for work done while an inmate in a penal institution and that amount is included in the total on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ), put “PRI” and the amount on the dotted line next to line 7 (Form 1040), in the space to the left of the entry space for line 7 (Form 1040A), or in the space to the left of line 1 (Form 1040EZ).

- **Deferred compensation plans.** A pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan is not considered earned income for the earned income credit. If you received such an amount and it was included in the total on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ), put “DFC” and the amount on the dotted line next to line 7 (Form 1040), in the space to the left of the entry space for line 7 (Form 1040A), or in the space to the left of line 1 (Form
Chapter 4. Figuring and Claiming the EIC

1040EZ). This amount may be reported in box 11 of your Form W-2. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or an annuity.

Clergy. If you are a member of the clergy who files Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on line 7 (Form 1040), subtract that amount from the amount on line 7 (Form 1040) and enter the result in the first space of the worksheet in Step 5 of the Form 1040 instructions for lines 66a and 66b. Put “Clergy” on the dotted line next to line 66a (Form 1040).

Church employees. A church employee means an employee (other than a minister or member of a religious order) of a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes. If you received wages as a church employee and included any amount on both line 5a of Schedule SE and line 7 (Form 1040), subtract that amount from the amount on line 7 (Form 1040) and enter the result in the first space of the worksheet in Step 5 of the Form 1040 instructions for lines 66a and 66b.

Nontaxable combat pay. You can elect to include your nontaxable combat pay in earned income for the earned income credit. If you make the election, you must include in earned income all nontaxable combat pay you received. If you are filing a joint return and both you and your spouse received nontaxable combat pay, you can each make your own election. The amount of your nontaxable combat pay should be shown on your Form W-2 in box 12 with code Q.

Electing to include nontaxable combat pay in earned income may increase or decrease your EIC. Figure the credit with and without your nontaxable combat pay before making the election. Whether the election increases or decreases your EIC depends on your total earned income, filing status, and number of qualifying children. If your earned income without your combat pay is less than the amount shown below for your number of children, you may benefit from electing to include your nontaxable combat pay in earned income and you should figure the credit both ways. If your earned income without your combat pay is equal to or more than these amounts, you will not benefit from including your combat pay in your earned income.

- $5,550 if you have no children.
- $8,350 if you have one child.
- $11,750 if you have two children.

The following examples illustrate the effect of including nontaxable combat pay in earned income for the EIC.

Example 1 – election increases the EIC. George and Janice are married and will file a joint return. They have one qualifying child. George was in the military and earned $15,000 ($5,000 taxable wages + $10,000 nontaxable combat pay). Janice worked part of the year and earned $2,000. Their taxable earned income and AGI are $7,000. George and Janice qualify for the earned income credit and fill out the EIC Worksheet and Schedule EIC.

When they complete the EIC worksheet without adding the nontaxable combat pay to their earned income, they find their credit to be $2,389. When they complete the EIC worksheet with the nontaxable combat pay added to their earned income, they find their credit to be $2,853. Because making the election will increase their EIC, they elect to add the nontaxable combat pay to their earned income for the EIC. They enter $2,853 on line 40a of their Form 1040A and enter the amount of their nontaxable combat pay on line 40b.

Example 2 – election does not increase the EIC. The facts are the same as Example 1 except George had nontaxable combat pay of $22,000. When George and Janice add their nontaxable combat pay to their earned income, they find their credit to be $993.
Because the credit they can get if they do not add the nontaxable combat pay to their earned income is $2,389, they decide not to make the election. They enter $2,389 on line 40a of their Form 1040A.

**IRS Will Figure the EIC for You**

The IRS will figure your EIC for you if you follow the instructions in Figure 3, below.

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

---

**Figure 3. Steps To Follow To Have the IRS Figure Your EIC**

1. Put “EIC” on the dotted line next to line 66a (Form 1040), to the left of the entry space for line 40a (Form 1040A), or in the space to the left of line 8a (Form 1040EZ). Then, if you have any of the types of income described earlier under *Inmates, Deferred compensation plans,* or *Clergy,* follow the instructions given there.

2. If you received nontaxable combat pay and are electing to include it in your earned income for the EIC, enter the amount on line 66b (Form 1040), line 40b (Form 1040A), or line 8b (Form 1040EZ). For details, see *Nontaxable combat pay* in this chapter.

3. Complete all other parts of your return that apply to you (including line 61 (Form 1040) or line 36 (Form 1040A) to report advance payments of the EIC).

4. Do not fill in lines that relate to your total payments, overpayment, refund, or amount you owe (lines 72, 73, 74a, and 76 (Form 1040), lines 42, 43, 44a, and 46 (Form 1040A), or lines 9, 11a, and 12 (Form 1040EZ)).

5. If you have a qualifying child, complete Schedule EIC and attach it to your tax return.

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**How To Figure the EIC Yourself**

To figure the EIC yourself, use the EIC worksheet in the instructions for the form you are using (Form 1040, Form 1040A, or Form 1040EZ). If you have a qualifying child, complete Schedule EIC (discussed on page 25) and attach it to your tax return.

If you want the IRS to figure your EIC for you, see *IRS Will Figure the EIC For You,* earlier.
Chapter 4. Figuring and Claiming the EIC

Special Instructions for Form 1040 Filers
If you file Form 1040, you will need to decide whether to use EIC Worksheet A or EIC Worksheet B to figure the amount of your EIC. This section explains how to use these worksheets and how to report the EIC on your return.

**EIC Worksheet A.** Use EIC Worksheet A if you are not self-employed, a member of the clergy or a church employee who files Schedule SE, or a statutory employee filing Schedule C or C-EZ.

**EIC Worksheet B.** Use EIC Worksheet B if you are self-employed, a member of the clergy or a church employee who files Schedule SE, or a statutory employee filing Schedule C or C-EZ. If any of the following situations apply to you, read the paragraph and then complete EIC Worksheet B.

- **Net earnings from self-employment $400 or more.** 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 EIC you are entitled to.

  When figuring your net earnings from self-employment, you must claim all your allowable business expenses.

  **CAUTION**

- **When to use the optional methods of figuring net earnings.** Using the optional methods on Schedule SE to figure your net earnings from self-employment may qualify you for the EIC or give you a larger credit. If your net earnings (without using the optional methods) are less than $1,600, see the instructions for Schedule SE for details about the optional methods.

- **When both spouses have self-employment income.** You must complete both Parts 1 and 2 of EIC Worksheet B if all of the following conditions apply to you.
  1. You are married filing a joint return.
  2. Both you and your spouse have income from self-employment.
  3. You or your spouse files a Schedule SE and the other spouse does not file Schedule SE.

**Statutory employees.** Statutory employees report wages and expenses on Schedule C or C-EZ. They do not file Schedule SE. If you are a statutory employee, enter the amount from line 1 of Schedule C or C-EZ in Part 3 when you complete EIC Worksheet B.

**Schedule EIC**
You must complete Schedule EIC and attach it to your tax return if you have a qualifying child and are claiming the EIC. Schedule EIC provides IRS with information about your qualifying children, including their names, ages, SSNs, relationship to you, and the amount of time they lived with you during the year. An example of a filled-in Schedule EIC is shown on page 34.

**CAUTION**

- **If you are required to complete and attach Schedule EIC but do not, it will take longer to process your return and issue your refund.**
Chapter 5. Disallowance of the EIC

If your earned income credit (EIC) for any year after 1996 was denied (disallowed) or reduced by the IRS, you may need to complete an additional form to claim the credit for 2007.

This chapter is for people whose earned income credit (EIC) for any year after 1996 was denied or reduced by the IRS. If this applies to you, you may need to complete Form 8862, Information To Claim Earned Income Credit After Disallowance, and attach it to your 2007 return to claim the credit for 2007. This chapter explains when you need to attach Form 8862. For more information, see Form 8862 and its instructions. This chapter also explains the rules for certain people who cannot claim the EIC for a period of years after their EIC was denied or reduced.

Form 8862

If your EIC for any year after 1996 was denied or reduced for any reason other than a math or clerical error, you must attach a completed Form 8862 to your next tax return to claim the EIC. You must also qualify to claim the EIC by meeting all the rules described in this publication.

However, do not file Form 8862 if either (1) or (2) below is true.

1. After your EIC was reduced or disallowed in the earlier year:
   a. You filed Form 8862 in a later year and your EIC for that later year was allowed, and
   b. Your EIC has not been reduced or disallowed again for any reason other than a math or clerical error.

2. You are taking the EIC without a qualifying child for 2007 and the only reason your EIC was reduced or disallowed in the earlier year was because the IRS determined that a child listed on Schedule EIC was not your qualifying child.

Also, do not file Form 8862 or take the EIC for:

- 2 years after there was a final determination that your EIC claim was due to reckless or intentional disregard of the EIC rules, or
- 10 years after there was a final determination that your EIC claim was due to fraud.

For details, see Are You Prohibited From Claiming the EIC for a Period of Years? in this chapter.

The date on which your EIC was denied and the date on which you file your 2007 return affect whether you need to attach Form 8862 to your 2007 return or to a later return. The following examples demonstrate whether Form 8862 is required for 2007 or 2008.

Example 1. You filed your 2006 tax return in March 2007 and claimed the EIC with a qualifying child. The IRS questioned the EIC, and you were unable to prove the child was a qualifying child. In September 2007, you received a statutory notice of deficiency telling you that an adjustment would be made and tax assessed unless you filed a petition with the Tax Court within 90 days. You did not act on this notice within 90 days. Therefore, your EIC was denied in December 2007. To claim the EIC with a qualifying child on your 2007 return, you must complete and attach Form 8862 to that return. However, to claim the EIC without a qualifying child on your 2007 return, you do not need to file Form 8862.

Example 2. You filed your 2006 tax return in March 2007 and claimed the EIC with a qualifying child. The IRS questioned the EIC, and you were unable to prove the child was a qualifying child. In September 2007, you received a statutory notice of deficiency telling you that an adjustment would be made and tax assessed unless you filed a petition with the Tax Court within 90 days. You did not act on this notice within 90 days. Therefore, your EIC was denied in December 2007. To claim the EIC with a qualifying child on your 2007 return, you must complete and attach Form 8862 to that return. However, to claim the EIC without a qualifying child on your 2007 return, you do not need to file Form 8862.
Chapter 5. Disallowance of the EIC

Example 2. The facts are the same as in Example 1, except that you received the statutory notice of deficiency in February 2008. Because the 90-day period referred to in the statutory notice is not over when you are ready to file your return for 2007, you should not attach Form 8862 to your 2007 return. However, to claim the EIC with a qualifying child for 2008, you must complete and attach Form 8862 to your return for that year. To claim the EIC without a qualifying child for 2008, you do not need to file Form 8862.

Exception for math or clerical errors. If your EIC was denied or reduced as a result of a math or clerical error, do not attach Form 8862 to your next tax return. For example, if your arithmetic is incorrect, the IRS can correct it. If you do not provide a correct social security number, the IRS can deny the EIC. These kinds of errors are called math or clerical errors.

Omission of Form 8862. If you are required to attach Form 8862 to your 2007 tax return, and you claim the EIC without attaching a completed Form 8862, your claim will be automatically denied. This is considered a math or clerical error. You will not be permitted to claim the EIC without a completed Form 8862.

Additional documents may be required. You may have to provide the IRS with additional documents or information before a refund relating to the EIC you claim is released to you, even if you attach a properly completed Form 8862 to your return.

Are You Prohibited From Claiming the EIC for a Period of Years?

If your EIC for any year after 1996 was denied and it was determined that your error was due to reckless or intentional disregard of the EIC rules, then you cannot claim the EIC for the next 2 years. If your error was due to fraud, then you cannot claim the EIC for the next 10 years. The date on which your EIC was denied and the date on which you file your 2007 return affect the years for which you are prohibited from claiming the EIC. The following examples demonstrate which years you are prohibited from claiming the EIC.

Example 3. You claimed the EIC on your 2006 tax return, which you filed in March 2007. The IRS determined you were not entitled to the EIC and that your error was due to reckless or intentional disregard of the EIC rules. In September 2007, you received a statutory notice of deficiency telling you an adjustment would be made and tax assessed unless you filed a petition with the Tax Court within 90 days. You did not act on this notice within 90 days. Therefore, your EIC was denied in December 2007. You cannot claim the EIC for tax year 2007 or 2008. To claim the EIC on your return for 2009, you must complete and attach Form 8862 to your return for that year.

Example 4. The facts are the same as in Example 3, except that your 2006 EIC was not denied until after you filed your 2007 return. To claim the EIC on your return for 2010, you must complete and attach Form 8862 to your return for that year.

Example 5. You claimed the EIC on your 2006 tax return, which you filed in February 2007. The IRS determined you were not entitled to the EIC and that your error was due to fraud. In September 2007, you received a statutory notice of deficiency telling you an adjustment would be made and tax assessed unless you filed a petition with the Tax Court within 90 days. You did not act on this notice within 90 days. Therefore, your EIC was denied in December 2007. You cannot claim the EIC for tax years 2007 through 2016. To claim the EIC on your return for 2017, you must complete and attach Form 8862 to your return for that year.
Chapter 6. Advance Payment of EIC in 2008

You can receive part of your 2008 EIC in your paycheck by completing a form and giving it to your employer.

Do you expect to be eligible for the EIC this year (2008) and to have a qualifying child? If so, you can choose to get payments of the EIC in your paycheck now instead of waiting to get your EIC all at once in 2009 when you file your tax return for the year 2008. These payments are called advance EIC payments. This chapter explains how you may be able to get them this year and how to report them on your tax return.

Example. In March of 2008, John and Tom worked together. Tom told John that he gets $40 added to his paycheck each month because of the earned income credit. John would like to get an extra amount every month too. John needs to find out if he can claim the EIC in 2008. He should answer the questions in Step 1 below and then, if he is eligible for advance EIC payments, go to Step 2.

Note. Chapters 1 through 5 of this publication are about the EIC you claim on your 2007 tax return. This chapter is about the EIC you expect to claim on your 2008 tax return.

Step 1 Find Out If You Are Eligible for Advance Payments of the EIC

Answer the following three questions to see if you are eligible for advance payments of the EIC.

Note. When the question says “expect,” you do not have to know that you will be able to answer “Yes” when you file your tax return. You can only make a best guess that you will be able to answer “Yes.”

Question 1. Do you expect to have a qualifying child? (See the definition of qualifying child beginning on page 12.)

☐ Yes. Go to Question 2.
☐ No. You cannot get advance payments of the EIC.

Question 2. Do you expect that your adjusted gross income (AGI) and earned income will each be less than $33,995 ($36,995 if you expect to file a joint return for 2008)?

☐ Yes. Go to Question 3.
☐ No. You cannot get advance payments of the EIC.

Question 3. Do you expect to be eligible for the EIC in 2008 as explained in chapters 1, 2, 3, and 4?

☐ Yes. Go to Step 2.
☐ No. You cannot get advance payments of the EIC.

Not Sure. Read the rules in chapters 1, 2, 3, and 4 and/or the instructions for Form W-5. Then answer “Yes” or “No.”
Note. The rules in chapters 1, 2, 3, and 4 are expected to be basically the same for 2008, except that you will be allowed to have more earned income, more adjusted gross income, and up to $2,950 of investment income.

Step 2 Complete Form W-5 and Give It to Your Employer

If you answered “Yes” to all the questions in Step 1, and you wish to get part of your EIC now, you must give your employer a Form W-5 for 2008. After you have read the instructions and completed Form W-5, give the lower part of the form to your employer. Keep the top part for your records. A part of a blank Form W-5 is shown here.

You may get only part of your EIC during the year in advance payments. You will get the rest of the EIC you are entitled to when you file your tax return in 2009 and claim the EIC.

Frequently Asked Questions About Form W-5

1. How do I get Form W-5? Ask your employer for the form. Or, see How To Get Tax Help on page 49.

2. What should I do if I have more than one employer? Give a Form W-5 to only one employer.

3. Can I give my employer a Form W-5 if my spouse has given her employer a Form W-5? Yes.

4. How often do I have to file Form W-5? The 2008 Form W-5 you give to your employer is valid until December 31, 2008. If you expect to be eligible for EIC in 2009 and you want to receive advance payments, you must give your employer a new Form W-5 in 2009. Do this each year you expect to be eligible for the EIC.

5. What should I do if my situation changes after I give Form W-5 to my employer? Give your employer a new Form W-5 if any situation shown in the following table applies to you for 2008.
Table 3. Changes to Advance EIC Status

<table>
<thead>
<tr>
<th>IF....</th>
<th>THEN you must give your employer a new Form W-5. To indicate your change, check . . .</th>
</tr>
</thead>
<tbody>
<tr>
<td>You no longer expect to have a qualifying child</td>
<td>“No” on line 1.</td>
</tr>
<tr>
<td>You no longer expect to be eligible for the EIC</td>
<td>“No” on line 1.</td>
</tr>
<tr>
<td>You no longer want advance payments</td>
<td>“No” on line 1.</td>
</tr>
<tr>
<td>Your spouse files Form W-5 with his or her employer</td>
<td>“Yes” on line 3.</td>
</tr>
</tbody>
</table>

Step 3  How To Report Advance Payments of EIC

If you received advance payments of EIC in 2007, see Reporting advance payments of EIC received in 2007 on page 3 for information on reporting these payments.

If you receive advance payments of EIC in 2008, you must file a 2008 tax return (even if you would not otherwise have to file) to report the payments and claim any additional EIC. Box 9 of your Form W-2 will show the amount you received. See the instructions for Form 1040 or Form 1040A for the line number on which you report advance payments of EIC.

If you receive advance payments of EIC in 2008, and you later find out that you are not eligible for some or all of them, you still must report them on your tax return.

You cannot use Form 1040EZ to report your advance payments. You must file Form 1040 or Form 1040A.
Chapter 7. Detailed Examples

Example 1. Cynthia and Jerry Grey

Cynthia and Jerry Grey have two children, Kirk, age 8, and Susanne, age 6. The children lived with Cynthia and Jerry for all of 2007. Cynthia earned wages of $15,000 and Jerry had wages of $10,000. The Greys received $525 in interest on their savings account. They had no other income in 2007.

Cynthia and Jerry have the 2007 Form 1040A and instructions. They want to see if they qualify for the EIC, so they follow the steps in the instructions for lines 40a and 40b.

Step 1. The amount Cynthia and Jerry entered on Form 1040A, line 22, was $25,525. They both have valid social security numbers (SSNs). They will file a joint return. Neither Cynthia nor Jerry is a nonresident alien. Therefore, the answers they give to the questions in Step 1 allow them to proceed to Step 2.

Step 2. The only investment income the Greys have is their $525 interest income. That amount is not more than $2,900, so they answer "No" to the second question in Step 2 and go to Step 3.

Step 3. Their children, Kirk and Susanne, meet the relationship, residency, and age tests to be Cynthia and Jerry’s qualifying children, so Cynthia and Jerry answer “Yes” to the first question in Step 3. Kirk and Susanne are not qualifying children of anyone else. Both children have valid SSNs. Cynthia and Jerry are not qualifying children of anyone else, so they answer “No” to the second question in Step 3. This means they can skip Step 4 and go to Step 5.

Step 5. Cynthia and Jerry figure their earned income to be $25,000, the amount of their combined wages. This is less than $39,783, so they go to Step 6 to figure their credit.

Step 6. Cynthia and Jerry want to figure their EIC themselves, so they complete the EIC Worksheet in the Form 1040A instructions (shown on page 33).

Completing the EIC Worksheet. Cynthia and Jerry complete their worksheet as follows.

1. Cynthia and Jerry enter their total earned income ($25,000) on line 1.
2. To find their credit, they go to the EIC Table (in the Appendix of this publication). The part of the EIC Table used in this example is on the next page. They find their earned income of $25,000 in the range of $25,000 to $25,050. They follow this line across to the column Two children under Married filing jointly and find $3,108. They enter $3,108 on line 2.
3. They enter on line 3 their AGI ($25,525) and see that it is different from the amount on line 1.
4. They look up $25,525 in the EIC Table and enter the amount of $3,003 on line 5.
5. They enter $3,003 on line 6. This is the smaller of the line 2 amount ($3,108) and the line 5 amount ($3,003).
6. The Greys enter $3,003 on line 40a of their Form 1040A. They will now complete Schedule EIC (shown on page 34) and attach it to their return. They will keep the EIC Worksheet for their records.

### Example:
Sharon Rose does not have a qualifying child and her AGI is too high for her to claim the EIC.

### Example 2. Sharon Rose
Sharon Rose is age 63 and retired. She received $7,000 in social security benefits during the year and $7,300 from a part-time job. She also received a taxable pension of $5,400. Sharon had no other income. Her AGI on line 22 of Form 1040A is $12,700 ($7,300 + $5,400).

Sharon is not married and lived alone in the United States for the entire year. She cannot be claimed as a dependent on anyone else’s return. She does not have any investment income and does not have a qualifying child.

Sharon reads the steps for eligibility in her Form 1040A instructions. In Step 1 she discovers that, because her AGI ($12,700) is not less than $12,590, she cannot take the EIC. She completes the rest of her Form 1040A and files it with the IRS.
Filled-in EIC Worksheet—Cynthia and Jerry Grey (Page references are to the Form 1040A Instructions)

**Earned Income Credit (EIC) Worksheet—Lines 40a and 40b**

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### Part 1

**All Filers**

1. Enter your earned income from Step 5 on page 40.

   - 1. 25,000

2. Look up the amount on line 1 in the EIC Table on pages 43–50 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

   - 2. 3,108

   If line 2 is zero, you cannot take the credit. Enter "No" to the left of the entry space for line 40a.

3. Enter the amount from Form 1040A, line 22.

   - 3. 25,525

4. Are the amounts on lines 3 and 1 the same?

   - Yes. Skip line 5; enter the amount from line 2 on line 6.
   - No. Go to line 5.

---

### Part 2

**Filers Who Answered "No" on Line 4**

5. If you have:
   - No qualifying children, is the amount on line 3 less than $7,000 ($9,000 if married filing jointly)?
   - 1 or more qualifying children, is the amount on line 3 less than $15,400 ($17,400 if married filing jointly)?

   - Yes. Leave line 5 blank; enter the amount from line 2 on line 6.
   - No. Look up the amount on line 3 in the EIC Table on pages 43–50 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

   Look at the amounts on lines 5 and 2.
   Then, enter the smaller amount on line 6.

   - 5. 3,003

---

### Part 3

**Your Earned Income Credit**

6. This is your earned income credit.

   - 6. 3,003

   Enter this amount on Form 1040A, line 40a.

---

**Reminder**

- If you have a qualifying child, complete and attach Schedule EIC.

---

**CAUTION**

- If your EIC for a year after 1996 was reduced or disallowed, see page 41 to find out if you must file Form 8862 to take the credit for 2007.
Before you begin:

- If you take the EIC even though you are not eligible, you may not be allowed to take the credit for up to 10 years. See back of schedule for details.

- It will take us longer to process your return and issue your refund if you do not fill in all lines that apply for each qualifying child.

- Be sure the child’s name on line 1 and social security number (SSN) on line 2 agree with the child’s social security card. Otherwise, at the time we process your return, we may reduce or disallow your EIC. If the name or SSN on the child’s social security card is not correct, call the Social Security Administration at 1-800-772-1213.

- To be eligible for the EIC, both you and your spouse (if filing jointly) must have a valid SSN.

- You may be able to take the additional child tax credit if your child (a) was under age 17 at the end of 2007, and (b) is a U.S. citizen or resident alien. For more details, see the instructions for line 41 of Form 1040A or line 68 of Form 1040.
Chapter 7. Detailed Examples

Example: Steve and Linda Green have two children, a loss from a dairy farm, and a net capital gain from selling cows.

Example 3. Steve and Linda Green

Steve and Linda Green have two children, Amy, age 8, and Carol, age 10, who lived with them all year.

Steve owns and operates a dairy farm that had a loss of $2,200 in 2007. Steve reports this loss on Schedule F and on Form 1040, line 18. Steve qualifies and chooses to use the optional method to figure net earnings, so he uses Section B of Schedule SE. He enters $1,600 on Schedule SE, Section B, lines 15 and 4b. Steve figures self-employment tax of $244. He deducts one-half of it ($122) on Form 1040, line 27.

Linda had wages of $15,000, which she reports on Form 1040, line 7. She also received advance EIC payments of $1,140, which she reports on Form 1040, line 61. In addition, she and Steve received $200 in interest from a savings account.

Steve and Linda had a $1,000 gain from the sale of stock and a $3,000 gain from the sale of raised dairy cows they had held for 3 years. They report the $3,000 gain on Form 4797, Sales of Business Property. They do not have any other sales to report on Form 4797, so they enter $3,000 on Form 4797, line 7, and on Schedule D, line 11. (They have no prior year section 1231 losses.) They report their net capital gain of $4,000 ($1,000 + $3,000) from Schedule D on Form 1040, line 13.

The Greens read the instructions for Form 1040, lines 66a and 66b. In Step 2 they figure their investment income to be $4,200 ($200 interest income from Form 1040, line 8a, plus a $4,000 capital gain from Form 1040, line 13). But when they read the second and third questions in Step 2 they find that, because they have figured their investment income to be more than $2,900 and they are filing Form 4797, they must use Worksheet 1 in Publication 596 to see if they can take the EIC.

The Greens fill out Worksheet 1 (shown on page 36) in Publication 596. They find their correct investment income for EIC purposes to be $1,200, not $4,200. This is less than $2,900, so they meet Rule 6. They read the rest of Publication 596 and find that they meet all the rules to claim the EIC. For example, they will file a joint return (Rule 3). Both of their children are qualifying children (Rule 8). Also, their AGI of $16,878 ($15,000 + $4,000 + $200 - $2,200 - $122) is less than $39,783 (Rule 1).

They use EIC Worksheet B (shown on pages 37 and 38) to figure their EIC of $4,716. They also complete Schedule EIC (not shown) and attach it to their Form 1040.
Filled in Worksheet 1 for Steve and Linda Green

Worksheet 1  Investment Income If You Are Filing Form 1040

Use this worksheet to figure investment income for the earned income credit when you file Form 1040.

<table>
<thead>
<tr>
<th>Interest and Dividends</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter any amount from Form 1040, line 8a.</td>
<td>1. 200</td>
</tr>
<tr>
<td>2. Enter any amount from Form 1040, line 8b, plus any amount on Form 8814, line 1b.</td>
<td></td>
</tr>
<tr>
<td>3. Enter any amount from Form 1040, line 9a.</td>
<td>3.</td>
</tr>
<tr>
<td>4. Enter the amount from Form 1040, line 21, that is from Form 8814 if you are filing that form to report your child’s interest and dividend income on your return. (If your child received an Alaska Permanent Fund dividend, use Worksheet 2, on the next page, to figure the amount to enter on this line.)</td>
<td>4.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital Gain Net Income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Enter the amount from Form 1040, line 13. If the amount on that line is a loss, enter -0-.</td>
<td>5. 4,000</td>
</tr>
<tr>
<td>6. Enter any gain from Form 4797, Sales of Business Property, line 7. If the amount on that line is a loss, enter -0-. (But, if you completed lines 8 and 9 of Form 4797, enter the amount from line 9 instead.)</td>
<td>6. 3,000</td>
</tr>
<tr>
<td>7. Subtract line 6 of this worksheet from line 5 of this worksheet. (If the result is less than zero, enter -0-.)</td>
<td>7. 1,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Royalties and Rental Income from Personal Property</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Enter any royalty income from Schedule E, line 4, plus any income from the rental of personal property shown on Form 1040, line 21.</td>
<td>8.</td>
</tr>
<tr>
<td>9. Enter any expenses from Schedule E, line 21, related to royalty income, plus any expenses from the rental of personal property deducted on Form 1040, line 36.</td>
<td>9.</td>
</tr>
<tr>
<td>10. Subtract the amount on line 9 of this worksheet from the amount on line 8. (If the result is less than zero, enter -0-.)</td>
<td>10.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Passive Activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Enter the total of any net income from passive activities (included on Schedule E, lines 26, 29a (col. (g)), 34a (col. (d)), and 40). (See instructions below for lines 11 and 12.)</td>
<td>11.</td>
</tr>
<tr>
<td>12. Enter the total of any losses from passive activities (included on Schedule E, lines 26, 29b (col. (f)), 34b (col. (c)), and 40). (See instructions below for lines 11 and 12.)</td>
<td>12.</td>
</tr>
<tr>
<td>13. Combine the amounts on lines 11 and 12 of this worksheet. (If the result is less than zero, enter -0-.)</td>
<td>13.</td>
</tr>
<tr>
<td>14. Add the amounts on lines 1, 2, 3, 4, 7, 10, and 13. Enter the total. This is your Investment Income.</td>
<td>14. 1,200</td>
</tr>
</tbody>
</table>

15. Is the amount on line 14 more than $2,900? Yes. You cannot take the credit.
   No. Go to Step 3 of the Form 1040 instructions for lines 66a and 66b to find out if you can take the credit (unless you are using this publication to find out if you can take the credit; in that case, go to Rule 7, next).
### Chapter 7. Detailed Examples

#### Filled-in EIC Worksheet B—Steve and Linda Green (Page references are to the Form 1040 Instructions)

**Worksheet B—Earned Income Credit (EIC)—Lines 66a and 66b**  
*Keep for Your Records*

Use this worksheet if you answered “Yes” to Step 5, question 3, on page 46.

- Complete the parts below (Parts 1 through 3) that apply to you. Then, continue to Part 4.
- If you are married filing a joint return, include your spouse’s amounts, if any, with yours to figure the amounts to enter in Parts 1 through 3.

#### Part 1

**Self-Employed, Members of the Clergy, and People With Church Employee Income Filing Schedule SE**

1. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.

   1a.

2. Enter any amount from Schedule SE, Section B, line 4b, and line 5a.

   1b.

3. Combine lines 1a and 1b.

   1c.

4. Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.

   1d.

5. Subtract line 1d from 1c.

   1e.

<table>
<thead>
<tr>
<th>1a</th>
<th>1b</th>
<th>1c</th>
<th>1d</th>
<th>1e</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Reduce any Schedule K-1 amounts by any partnership section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule SE, Section A. Enter your name and social security number on Schedule SE and attach it to your return.*

#### Part 2

**Self-Employed NOT Required To File Schedule SE**

2. Do not include on these lines any statutory employee income, any net profit from services performed as a notary public, or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.

   a. Enter any net farm profit or (loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), box 14, code A*.

   2a.

   b. Enter any net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1*.

   2b.

   c. Combine lines 2a and 2b.

   2c.

<table>
<thead>
<tr>
<th>2a</th>
<th>2b</th>
<th>2c</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*If line 4b is zero or less, you cannot take the credit. Enter “No” on the dotted line next to line 66a.*

#### Part 3

**Statutory Employees Filing Schedule C or C-EZ**

3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.

   3.

<table>
<thead>
<tr>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

#### Part 4

**All Filers Using Worksheet B**

4. Enter your earned income from Step 5 on page 46.

   4a.

5. Combine lines 1e, 2c, 3, and 4a. This is your total earned income.

   4b.

<table>
<thead>
<tr>
<th>4a</th>
<th>4b</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If line 4b is zero or less, you cannot take the credit. Enter “No” on the dotted line next to line 66a.

5. If you have:

   - 2 or more qualifying children, is line 4b less than $37,783 ($39,783 if married filing jointly)?
   - 1 qualifying child, is line 4b less than $33,241 ($35,241 if married filing jointly)?
   - No qualifying children, is line 4b less than $12,590 ($14,590 if married filing jointly)?

   - **Yes.** If you want the IRS to figure your credit, see page 46. If you want to figure the credit yourself, enter the amount from line 4b on line 6 (page 50).
   - **No.** You cannot take the credit. Enter “No” on the dotted line next to line 66a.
Publication 596 Earned Income Credit (EIC)

Filled-in EIC Worksheet B—Steve and Linda Green (Page references are to the Form 1040 Instructions)

Worksheet B—Continued from page 49

Part 5
All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4b, on page 49.
   
   6
   16,478

7. Look up the amount on line 6 above in the EIC Table on pages 51–58 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

   If line 7 is zero, You cannot take the credit. Enter "No" on the dotted line next to line 66a.

   7
   4,716

8. Enter the amount from Form 1040, line 38.
   
   8
   16,578

9. Are the amounts on lines 8 and 6 the same?
   
   ☐ Yes. Skip line 10; enter the amount from line 7 on line 11.
   
   ☐ No. Go to line 10.

Part 6
Filers Who Answered "No" on Line 9

10. If you have:

   ● No qualifying children, is the amount on line 8 less than $7,000 ($9,000 if married filing jointly)?
   
   ☐ Yes. Leave line 10 blank; enter the amount from line 7 on line 11.
   
   ☐ No. Look up the amount on line 8 in the EIC Table on pages 51–58 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.
   
   Look at the amounts on lines 10 and 7. Then, enter the smaller amount on line 11.
   
   10

Part 7
Your Earned Income Credit

This is your earned income credit.

Reminder—

✓ If you have a qualifying child, complete and attach Schedule EIC.

If your EIC for a year after 1996 was reduced or disallowed, see page 47 to find out if you must file Form 8862 to take the credit for 2007.
Chapter 7. Detailed Examples

Example 4. Victor and Ida Brown

Victor and Ida Brown have two children, Kevin, age 15, and Ashley, age 14. The children lived with Victor and Ida for all of 2007. Ida earned wages of $10,000 and Victor, a member of the clergy, received a salary of $17,000. Victor also receives a housing allowance of $500 a month ($6,000 a year) from the church. The Browns received $200 in interest on their savings account. They had no other income in 2007.

Victor does not have to pay income tax on his housing allowance but he does have to include it in net earnings from self-employment and pay self-employment tax on it. To figure his self-employment tax, he must complete Schedule SE (Form 1040). He completes Schedule SE and figures self-employment tax of $3,250. He puts this figure on Form 1040, line 58, and deducts $1,625, one-half of his self-employment tax, on Form 1040, line 27.

Victor and Ida read the Form 1040 instructions for lines 66a and 66b, and find that they meet all the rules to claim the EIC. For example, their AGI of $25,575 ($17,000 + $10,000 + $200 - $1,625) is less than $39,783 (Step 1, question 1). Their investment income ($200 interest income from a savings account) is less than $2,900 (Step 2). Both of their children are qualifying children (Step 3, question 1).

Completing EIC Worksheet B. Because Victor is a member of the clergy, the Browns use EIC Worksheet B in the Form 1040 instructions (shown on pages 40 and 41) to figure their earned income credit.

Part 1. Victor and Ida enter $23,000 on line 1a. This amount, from Section B, line 3, of Victor's Schedule SE, consists of his $17,000 salary plus his $6,000 housing allowance. After completing lines 1a–1d, they enter $21,375 on line 1e.

Parts 2 and 3. They skip parts 2 and 3.

Part 4. On line 4a, they enter $10,000. They figured this amount in Step 5 of the Form 1040 instructions for lines 66a and 66b. They started with the amount on line 7 (Form 1040), $27,000 ($17,000 + $10,000), and subtracted the amount on that line that was also reported on line 2 of Schedule SE, Victor's $17,000 salary. On line 4b, they enter $31,375 ($21,375 + $10,000). This is their total earned income. Since it is less than $39,783, they go to Part 5 and enter $31,375 on line 6.

Parts 5–7. They complete Parts 5 through 7 and figure their earned income credit of $1,771. They enter this amount on line 66a of Form 1040 and put “Clergy” on the dotted line next to line 66a.
Use this worksheet if you answered “Yes” to Step 5, question 3, on page 46.

Part 1

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a.</td>
<td>Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.</td>
<td>23,000</td>
</tr>
<tr>
<td>1b.</td>
<td>Enter any amount from Schedule SE, Section B, line 4b, and line 5a.</td>
<td>+</td>
</tr>
<tr>
<td>1c.</td>
<td>Combine lines 1a and 1b.</td>
<td>=</td>
</tr>
<tr>
<td>1d.</td>
<td>Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.</td>
<td>-</td>
</tr>
<tr>
<td>1e.</td>
<td>Subtract line 1d from 1c.</td>
<td>=</td>
</tr>
</tbody>
</table>

Part 2

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2a.</td>
<td>Enter any net farm profit or (loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), box 14, code A*.</td>
<td>23,000</td>
</tr>
<tr>
<td>2b.</td>
<td>Enter any net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1*.</td>
<td>+</td>
</tr>
<tr>
<td>2c.</td>
<td>Combine lines 2a and 2b.</td>
<td>=</td>
</tr>
</tbody>
</table>

*Reduce any Schedule K-1 amounts by any partnership section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule SE, Section A. Enter your name and social security number on Schedule SE and attach it to your return.

Part 3

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.</td>
<td>3</td>
</tr>
</tbody>
</table>

Part 4

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4a.</td>
<td>Enter your earned income from Step 5 on page 46.</td>
<td>10,000</td>
</tr>
<tr>
<td>4b.</td>
<td>Combine lines 1c, 2c, 3, and 4a. This is your total earned income.</td>
<td>31,575</td>
</tr>
</tbody>
</table>

If line 4b is zero or less, You cannot take the credit. Enter “No” on the dotted line next to line 66a.

5. If you have:
   ● 2 or more qualifying children, is line 4b less than $37,783 ($39,783 if married filing jointly)?
   ● 1 qualifying child, is line 4b less than $33,241 ($35,241 if married filing jointly)?
   ● No qualifying children, is line 4b less than $12,990 ($14,990 if married filing jointly)?

Yes. If you want the IRS to figure your credit, see page 46. If you want to figure the credit yourself, enter the amount from line 4b on line 6 (page 50).

No. You cannot take the credit. Enter “No” on the dotted line next to line 66a.
Chapter 7. Detailed Examples

Filled-in EIC Worksheet B—Victor and Ida Brown (Page references are to the Form 1040 Instructions)

Worksheet B—Continued from page 49

Keep for Your Records

**Part 5**

All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4b, on page 49.

7. Look up the amount on line 6 above in the EIC Table on pages 51–58 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

If line 7 is zero, You cannot take the credit. Enter “No” on the dotted line next to line 66a.

8. Enter the amount from Form 1040, line 38.

9. Are the amounts on lines 8 and 6 the same?

☐ Yes. Skip line 10; enter the amount from line 7 on line 11.

☐ No. Go to line 10.

**Part 6**

Filers Who Answered “No” on Line 9

10. If you have:

- No qualifying children, is the amount on line 8 less than $7,000 ($9,000 if married filing jointly)?
- 1 or more qualifying children, is the amount on line 8 less than $15,400 ($17,400 if married filing jointly)?

☐ Yes. Leave line 10 blank; enter the amount from line 7 on line 11.

☐ No. Look up the amount on line 8 in the EIC Table on pages 51–58 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

Then, enter the smaller amount on line 11.

11. This is your earned income credit.

Reminder—

✔ If you have a qualifying child, complete and attach Schedule EIC.

If your EIC for a year after 1996 was reduced or disallowed, see page 47 to find out if you must file Form 8862 to take the credit for 2007.

Enter this amount on Form 1040, line 66a.

Part 7

Your Earned Income Credit
## 2007 Earned Income Credit (EIC) Table

### Caution. This is not a tax table.

1. To find your credit, read down the "At least - But less than" columns and find the line that includes the amount you were told to look up have. Enter the credit from that column on your EIC Worksheet.

2. Then, go to the column that includes your filing status and the single, head of household, or qualifying widow(er) and you have—

### Example.

If your filing status is single, you have one qualifying child, and the amount you are looking up from your EIC Worksheet is $2,455, you would enter $842.

### Table:

**2007 Earned Income Credit (EIC) Table**

<table>
<thead>
<tr>
<th>At least But less than</th>
<th>Your credit is</th>
<th>Your credit is</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10 - 20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>20 - 30</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>30 - 40</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>40 - 50</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>50 - 60</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>60 - 70</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>70 - 80</td>
<td>70</td>
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</tr>
<tr>
<td>80 - 90</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>90 - 100</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>100 - 110</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>110 - 120</td>
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</tr>
<tr>
<td>120 - 130</td>
<td>120</td>
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</tr>
<tr>
<td>130 - 140</td>
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<tr>
<td>140 - 150</td>
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</tr>
<tr>
<td>150 - 160</td>
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<td>150</td>
</tr>
<tr>
<td>160 - 170</td>
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<td>160</td>
</tr>
<tr>
<td>170 - 180</td>
<td>170</td>
<td>170</td>
</tr>
<tr>
<td>180 - 190</td>
<td>180</td>
<td>180</td>
</tr>
<tr>
<td>190 - 200</td>
<td>190</td>
<td>190</td>
</tr>
<tr>
<td>200 - 210</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>

### Appendix

**Publication 596 Earned Income Credit (EIC)**

### Earned Income Credit (EIC) Table

<table>
<thead>
<tr>
<th>If the amount you are looking up from the worksheet is—</th>
<th>And your filing status is—</th>
</tr>
</thead>
<tbody>
<tr>
<td>No children</td>
<td>Single, head of household, or qualifying widow(er) and you have—</td>
</tr>
<tr>
<td>One child</td>
<td>Married filing jointly and you have—</td>
</tr>
<tr>
<td>Two children</td>
<td>Married filing jointly and you have—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>All 2007 Earned Income Credit (EIC) Table</th>
<th>And your filing status is—</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 10</td>
<td>Single, head of household, or qualifying widow(er) and you have—</td>
</tr>
<tr>
<td>10 - 20</td>
<td>Married filing jointly and you have—</td>
</tr>
</tbody>
</table>

---

(Continued on page 43)
[Continued on page 44]
If the amount you are looking up from the worksheet is at least $12,550 ($14,550 if married filing jointly) but less than $12,590 ($14,590 if married filing jointly), your credit is – worksheet is – looking up from the worksheet is –

(Continued on page 45)
| Single, head of household, or qualifying widow(er) and you have - | Married filing jointly and you have - | | --- | --- | --- | --- |
| No | Two | No | Two |
| 0 | 2,551 | 4,319 | 0 | 2,853 | 4,716 |
| 18,300 | 18,350 | 18,400 | 18,450 | 18,500 | 18,550 |
| 0 | 2,559 | 4,330 | 0 | 2,853 | 4,716 |
| 17,200 | 17,250 | 17,300 | 17,350 | 17,400 | 17,450 |
| 0 | 2,537 | 4,308 | 0 | 2,833 | 4,667 |
| 16,100 | 16,150 | 16,200 | 16,250 | 16,300 | 16,350 |
| 0 | 2,408 | 4,129 | 0 | 2,737 | 4,551 |
| 15,000 | 15,050 | 15,100 | 15,150 | 15,200 | 15,250 |
| 0 | 2,448 | 4,182 | 0 | 2,768 | 4,593 |
| 14,000 | 14,050 | 14,100 | 14,150 | 14,200 | 14,250 |
| 0 | 2,360 | 4,066 | 0 | 2,679 | 4,487 |
| 13,000 | 13,050 | 13,100 | 13,150 | 13,200 | 13,250 |
| 0 | 2,224 | 3,951 | 0 | 2,543 | 4,361 |
| 12,000 | 12,050 | 12,100 | 12,150 | 12,200 | 12,250 |
| 0 | 2,080 | 3,698 | 0 | 2,400 | 4,119 |
| 11,000 | 11,050 | 11,100 | 11,150 | 11,200 | 11,250 |
| 0 | 2,032 | 3,635 | 0 | 2,352 | 4,056 |
| 10,000 | 10,050 | 10,100 | 10,150 | 10,200 | 10,250 |
| 0 | 2,040 | 3,645 | 0 | 2,344 | 4,045 |
| 9,000 | 9,050 | 9,100 | 9,150 | 9,200 | 9,250 |
| 0 | 2,024 | 3,624 | 0 | 2,324 | 4,014 |
| 8,000 | 8,050 | 8,100 | 8,150 | 8,200 | 8,250 |
| 0 | 2,056 | 3,666 | 0 | 2,376 | 4,087 |
| 7,000 | 7,050 | 7,100 | 7,150 | 7,200 | 7,250 |
| 0 | 2,128 | 3,761 | 0 | 2,448 | 4,182 |
| 6,000 | 6,050 | 6,100 | 6,150 | 6,200 | 6,250 |
| 0 | 2,152 | 3,793 | 0 | 2,471 | 4,214 |
| 5,000 | 5,050 | 5,100 | 5,150 | 5,200 | 5,250 |
| 0 | 2,104 | 3,729 | 0 | 2,424 | 4,151 |
| 4,000 | 4,050 | 4,100 | 4,150 | 4,200 | 4,250 |
| 0 | 2,088 | 3,656 | 0 | 2,388 | 4,077 |
| 3,000 | 3,050 | 3,100 | 3,150 | 3,200 | 3,250 |
| 0 | 2,040 | 3,603 | 0 | 2,328 | 4,024 |
| 2,000 | 2,050 | 2,100 | 2,150 | 2,200 | 2,250 |
| 0 | 2,008 | 3,603 | 0 | 2,328 | 4,024 |
| 1,000 | 1,050 | 1,100 | 1,150 | 1,200 | 1,250 |
| 0 | 1,952 | 3,528 | 0 | 2,272 | 3,950 |
| 0,000 | 0,050 | 0,100 | 0,150 | 0,200 | 0,250 |
| 0 | 1,920 | 3,487 | 0 | 2,240 | 3,908 |
| Caution. (Continued on page 48)
## 2007 Earned Income Credit (EIC) Table – Continued

### (Continued on page 47)
### Appendix

#### 2007 Earned Income Credit (EIC) Table—Continued

If the amount you are looking up from the worksheet is—

<table>
<thead>
<tr>
<th>Your credit is —</th>
<th>Your credit is —</th>
</tr>
</thead>
<tbody>
<tr>
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(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—

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(Continued on page 48)

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*If the amount you are looking up from the worksheet is at least $33,200 ($35,200 if married filing jointly) but less than $33,241 ($35,241 if married filing jointly), your credit is $3. Otherwise, you cannot take the credit.*
# Publication 596 Earned Income Credit (EIC)

## 2007 Earned Income Credit (EIC) Table—Continued

<table>
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*If the amount you are looking up from the worksheet is at least $33,200 ($35,200 if married filing jointly) but less than $33,241 ($35,241 if married filing jointly), your credit is $3. Otherwise, you cannot take the credit.*

*If the amount you are looking up from the worksheet is at least $37,750 but less than $37,783, your credit is $4. Otherwise, you cannot take the credit.*
How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get 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.

**Contacting your Taxpayer Advocate.** The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should.

You can contact TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059 to see if you are eligible for assistance. You can also call or write to your local taxpayer advocate, whose phone number and address are listed in your local telephone directory and in Publication 1546, The Taxpayer Advocate Service - Your Voice at the IRS. You can file Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), or ask an IRS employee to complete it on your behalf. For more information, go to [www.irs.gov/advocate](http://www.irs.gov/advocate).

**Taxpayer Advocacy Panel (TAP).** The TAP listens to taxpayers, identifies taxpayer issues, and makes suggestions for improving IRS services and customer satisfaction. If you have suggestions for improvements, contact the TAP, toll free at 1-888-912-1227 or go to [www.improveirs.org](http://www.improveirs.org).

**Low Income Taxpayer Clinics (LITCs).** LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers with limited English proficiency or who speak English as a second language. Publication 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area. It is available at [www.irs.gov](http://www.irs.gov) or at your local IRS office.

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

Accessible versions of IRS published products are available upon request in a variety of alternative formats for people with disabilities.

**Internet.** You can access the IRS website at [www.irs.gov](http://www.irs.gov) 24 hours a day, 7 days a week:

- E-file your return. Find out about commercial tax preparation and e-file services available free to eligible taxpayers.
- Check the status of your 2007 refund. Click on *Where’s My Refund*. Wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your 2007 tax return available because you will need to know your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
• View Internal Revenue Bulletins (IRBs) published in the last few years.
• Figure your withholding allowances using the withholding calculator online at www.irs.gov/individuals.
• Determine if Form 6251 must be filed using our Alternative Minimum Tax (AMT) Assistant.
• Sign up to receive local and national tax news by email.
• Get information on starting and operating a small business.

Phone. Many services are available by phone.

• Ordering forms, instructions, and publications. Call 1-800-829-3676 to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
• Asking tax questions. Call the IRS with your tax questions at 1-800-829-1040.
• Solving problems. You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under United States Government, Internal Revenue Service.
• 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.
• Refund information. To check the status of your 2007 refund, call 1-800-829-4477 and press 1 for automated refund information or call 1-800-829-1954. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your 2007 tax return available because you will need to know your social security number, your filing status, and the exact whole dollar amount of your refund.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Walk-in. Many products and services are available on a walk-in basis.

• Products. You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
• **Services.** You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you’re more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary, but if you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. To find the number, go to www.irs.gov/localcontacts or look in the phone book under United States Government, Internal Revenue Service.

Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 business days after your request is received.

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

CD/DVD for tax products. You can order Publication 1796, IRS Tax Products CD/DVD, and obtain:

• Current-year forms, instructions, and publications.
• Prior-year forms, instructions, and publications.
• Bonus: Historical Tax Products DVD - Ships with the final release.
• Tax Map: an electronic research tool and finding aid.
• Tax law frequently asked questions.
• Tax Topics from the IRS telephone response system.
• Fill-in, print, and save features for most tax forms.
• Internal Revenue Bulletins.
• Toll-free and email technical support.
• The CD which is released twice during the year.
  – The first release will ship the beginning of January 2008.
  – The final release will ship the beginning of March 2008.

Purchase the CD/DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for $35 (no handling fee) or call 1-877-CDFORMS (1-877-233-6767) toll free to buy the CD/DVD for $35 (plus a $5 handling fee). Price is subject to change.

CD for small businesses. Publication 3207, The Small Business Resource Guide CD for 2007, is a must for every small business owner or any taxpayer about to start a business. This year’s CD includes:

• Helpful information, such as how to prepare a business plan, find financing for your business, and much more.
• All the business tax forms, instructions, and publications needed to successfully manage a business.
• Tax law changes for 2007.
• Tax Map: an electronic research tool and finding aid.
• Web links to various government agencies, business associations, and IRS organizations.
• “Rate the Product” survey—your opportunity to suggest changes for future editions.
• A site map of the CD to help you navigate the pages of the CD with ease.
• An interactive “Teens in Biz” module that gives practical tips for teens about starting their own business, creating a business plan, and filing taxes.

An updated version of this CD is available each year in early April. You can get a free copy by calling 1-800-829-3676 or by visiting www.irs.gov/smallbiz.
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EIC Eligibility Checklist

You may claim the EIC if you answer “Yes” to all the following questions.*

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is your AGI less than:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• $12,590 ($14,590 for married filing jointly) if you do not have a qualifying child,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• $32,241 ($35,241 for married filing jointly) if you have one qualifying child,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• $37,783 ($39,783 for married filing jointly) if you have more than one qualifying child? (See Rule 1.)</td>
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<tr>
<td>2. Do you, your spouse, and your qualifying child each have a valid SSN? (See Rule 2.)</td>
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<tr>
<td>3. Is your filing status married filing jointly, head of household, qualifying widow(er), or single? (See Rule 3.)</td>
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<tr>
<td>Caution: If you or your spouse is a nonresident alien, answer “Yes” only if your filing status is married filing jointly. (See Rule 4.)</td>
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<tr>
<td>4. Answer “Yes” if you are not filing Form 2555 or Form 2555-EZ. Otherwise, answer “No.” (See Rule 5.)</td>
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<tr>
<td>5. Is your investment income $2,900 or less? (See Rule 6.)</td>
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<tr>
<td>6. Is your total earned income at least $1 but less than:</td>
<td></td>
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</tr>
<tr>
<td>• $12,590 ($14,590 for married filing jointly) if you do not have a qualifying child,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• $32,241 ($35,241 for married filing jointly) if you have one qualifying child,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• $37,783 ($39,783 for married filing jointly) if you have more than one qualifying child? (See Rules 7 and 15.)</td>
<td></td>
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</tr>
<tr>
<td>7. Answer “Yes” if you (and your spouse if filing a joint return) are not a qualifying child of another person. Otherwise, answer “No.” (See Rules 8 and 13.)</td>
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</tr>
<tr>
<td>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 questions 8 and 9 and answer 10–12.*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Does your child meet the age, residency, and relationship tests for a qualifying child? (See Rule 8.)</td>
<td></td>
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<tr>
<td>9. Is your child a qualifying child only for you? Answer “Yes” if your qualifying child also meets the tests to be a qualifying child of another person, but the other person is not claiming any child-related tax benefits using that child. Answer “No” if you do not know whether the other person is claiming any child-related tax benefits using that child.</td>
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<td></td>
</tr>
<tr>
<td>10. Were you (or your spouse if filing a joint return) at least age 25 but under age 65 at the end of 2007? (See Rule 11.)</td>
<td></td>
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</tr>
<tr>
<td>11. Answer “Yes” if you (and your spouse if filing a joint return) cannot be claimed as a dependent on anyone else’s return. Answer “No” if you (or your spouse if filing a joint return) can be claimed as a dependent on someone else’s return. (See Rule 12.)</td>
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</tr>
<tr>
<td>12. Was your main home (and your spouse’s if filing a joint return) in the United States for more than half the year? (See Rule 14.)</td>
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<td></td>
</tr>
</tbody>
</table>

*PERSONS WITH A QUALIFYING CHILD: If you answered “Yes” to questions 1 through 9, you can claim the EIC. Remember to fill out Schedule EIC and attach it to your Form 1040 or Form 1040A. You cannot use Form 1040EZ. If you answered “Yes” to questions 1 through 8 and “No” to question 9, see Rule 9 to help you determine whether you can claim the EIC. If you answered “Yes” to questions 1 through 7 and “No” to question 8, answer questions 10 through 12 to see if you can claim the EIC without a qualifying child.

PERSONS WITHOUT A QUALIFYING CHILD: If you answered “Yes” to questions 1 through 7, and 10 through 12, you can claim the EIC.

If you answered “No” to any question that applies to you: You cannot claim the EIC.