



Earned Income Tax Credit Boosts Worker Income

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Who is eligible for what?

This is as good as it gets. If you are a lower-income worker, the federal government wants to give you money. Sound too good to be true? Well, it is true. In this case, Uncle Sam wants to reward you for working and earning income whether you were able to work full time, part time, or only part of the year. What is called the Earned Income Tax Credit (EITC) provides income to workers and their families whether they owe any income tax or not. There are three categories of eligible recipients:

1. Families with two or more children and a modified adjusted gross income (AGI) of less than \$32,121 may receive as much as \$4,008. Families with incomes between \$10,000 and \$13,100 will receive the maximum amount.

2. Families with one child and an AGI of less than \$28,281 may receive up to \$2,428. Families with incomes between \$7,100 and \$13,100 will receive the maximum amount.

3. Workers at least age 25 and under age 65 with no qualifying children in their home and an AGI of less than \$10,710 may receive up to \$364. Workers with incomes between \$4,750 and \$5,950 will receive the maximum amount.

How does the EITC work?

In 2000, over 19 million tax filers received more than \$31 billion through the EITC. The EITC can reduce the amount of income tax you owe, refund some or all of any income tax withheld by an employer, and pay you directly any additional amount you are eligible for.

For example, Kate and John were raising two children in their home last year. Based on their modified adjusted gross income of \$21,225, they are eligible for \$2,290.

Jo Ellen is a single parent with one child. Based on her modified adjusted gross income of \$15,625 last year, she is eligible for \$2,023.

Penny is a 64-year-old widow who is not raising any children in her home. Based on her modified adjusted gross income of \$7,140 last year, she is eligible for \$274.



The EITC is intended both to encourage work and provide additional support to workers with lower incomes. The biggest credits are given to those with incomes near the middle of the eligible income ranges, while lesser amounts are given to those at either end of these ranges.

What else do I need to do?

To determine your eligibility and the amount you are eligible for, you will need more details regarding the EITC. These can be found in IRS Publication 596, *Earned Income Credit*, and at http://www.irs.gov/ind_info/eitc4html#EITC on the Internet. Volunteer and fee-based tax preparers can also help you to determine your eligibility and file your tax return.

Remember, to get this credit, you must file a tax return even if you owe no income tax or do not have to file an income tax return otherwise. Here are the options to receive your credit:

- File a return and let IRS figure your credit.
- Figure your own credit and file your return.
- Get help from a volunteer or fee-based tax preparer and then file a return.

Where can I get more help?

Beginning in mid-January, there are several telephone numbers you can call for EITC information and assistance:

Call 800-829-4477 and request topic 601 to hear a recorded message regarding the EITC.

Call 800-829-1040 to request federal income tax information or assistance.

Call 800-829-3676 to request IRS tax forms and publications, including Publication 596, entitled *Earned Income Credit*, and Form 1040, Form 1040A, or Form 1040EZ with instruction booklet containing the EIC Worksheet.

Call 808-275-2000 (Aloha United Way) or 808-523-4545 (Elderly Affairs Division) for the location of volunteer tax preparers in your area.