

Earned Income Credit Helps Workers

Who is eligible and for what?

This is as good as it gets. If you are a lower-income, working person, 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. There are three categories of eligible recipients: 1. Families with two or more children and an earned income of less than \$29,290 may receive up to \$3,656. Families earning between \$9,140 and \$11,930 will receive the maximum amount.

2. Families with one child and an earned income of less than \$25,760 may receive up to \$2,210. Families earning between \$6,500 and \$11,930 will receive the maximum amount.

3. Workers at least age 25 and under age 65 with no qualifying children in their home and an earned income of less than \$9,770 may receive up to \$332. Workers earning between \$4,340 and \$5,430 will receive the maximum amount.

How Earned Income Credit works

In 1997, more than 19 million workers received more than \$26 billion through what is called the Earned Income Credit. The EIC is a tax credit that can reduce the amount of income tax you owe, refund some or all of any income tax withheld, and pay you directly any additional amount you are eligible for.

For example, Karen and Alvin Smith were raising two children in their home last year and had a modified adjusted gross income of \$22,700. They are eligible for an earned income credit of \$1,383.

Jo Ellen Jones is a single parent with one child. With a modified adjusted gross income of \$12,000 last year, she is eligible for a credit or payment of \$2,195.

Margaret Wiley is a 60-year-old widow who is raising no children in her home. Her modified adjusted gross income last year was \$7,000. She is eligible for an earned income credit of \$210.



Because the EIC is intended both to encourage work and provide additional support to those with inadequate incomes, the largest credits are given to those with earned incomes near the middle of the eligible income ranges, while the lowest amounts are given to those whose earned incomes are at the low or high end of these ranges. Like most other government programs, this one has its share of fine print.

There are a variety of distinctions to be made regarding eligibility, types of income, qualifying children, etc. But you might find these a pleasant surprise. Whatever you need to know is contained in IRS Publication 596, *Earned Income Credit*.

How to get what you are owed

So far so good, but how do I get whatever I'm eligible for? To get this credit, you must file a tax return even if you owe no income tax or do not have to file a return otherwise. Here are the filing options to receive your earned income credit:

- File a return and let IRS figure your credit.
- Figure your own credit and file your return.
- Get free help from a VITA (Volunteer Income Tax Assistance) tax preparation site and then file your return.

How to get started

Here are some telephone numbers to learn more about your eligibility, where to find help, and how to obtain the necessary filing forms:

Call 1-800-829-4477 and request topic 601 to hear a recorded message regarding the EIC and specific qualifications regarding eligibility. This recording is very informative.

Call 1-800-829-1040 to request personal assistance or further information.

Call 1-800-829-3676 to request IRS income tax forms and publications, including Publication 596, *Earned Income Credit*, and Schedule EIC.

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