



will you

**TAKE
CREDIT**

this year?



Earned Income Tax Credit

“You earned it -
money you can use
to better your life.”

[EITC]



AND



What is the Earned Income Tax Credit **EITC**?

It's a federal income tax credit for people who work, but don't earn much money. If you qualify, it could be worth up to \$4,500 this year. So you could pay less federal tax or even get a refund. But it's not just about the money, it's about the difference it can make in your life.

Am I eligible for the **EITC** in 2006?

You may be if you meet the rules to claim the credit.

- › You must have earned income from employment or self-employment.
- › Your earned income and adjusted gross income (AGI) must be less than:
 - › \$12,120 (\$14,120 if married filing jointly) with no qualifying child
 - › \$32,001 (\$34,001 if married filing jointly) with one qualifying child
 - › \$36,348 (\$38,348 if married filing jointly) with more than one qualifying child
- › Your investment income (such as interest) must be \$2,800 or less.
- › Your filing status cannot be married filing separately.
- › You must be a U.S. citizen or resident alien all year, or a nonresident alien married to a U.S. citizen or resident alien and filing a joint return.
 - › You must have a valid Social Security number (SSN).
 - › You cannot be a qualifying child of another person.
 - › If you do not have a qualifying child, you must:
 - › be age 25 but under 65 at the end of the year,
 - › live in the United States* for more than half the year, and
 - › not qualify as a dependent of another person.

* U.S. military personnel on extended active duty outside the United States are considered to live in the United States while on active duty.



Who is a qualifying child?

- ➔ A child who meets the relationship, age and residency tests. Your credit amount may be larger if you have a child who:
 - › Is your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them.
 - › At the end of the year was:
 - » under age 19, or
 - » under age 24 and a full-time student, or
 - » any age if permanently and totally disabled at any time during the year.
 - › Lived with you in the United States for more than half the year.
- ➔ An adopted child, including a child placed with you for adoption, is treated as your biological child.
- ➔ A foster child is any child placed with you by an authorized placement agency or a court.

What if I have the same qualifying child as someone else?

- ➔ If two or more persons have the same qualifying child for the **EITC**, dependency exemption, child tax credit, head of household filing status, or credit for child and dependent care expenses, only one person can claim the child as a qualifying child for all those benefits.
- ➔ You must decide who will claim the benefits, including the **EITC**, using that qualifying child. If you cannot agree, and more than one person actually uses the same child, the tie-breaker rules apply.



What are the tie-breaker rules?



These rules state that the child is treated as a qualifying child only of:

- › The parent, if only one of the persons is the child's parent, or
- › The parent the child lived with the longest during the year, if two of the persons are the parents and they do not file a joint return together, or
- › The parent with the highest AGI, if the child lived with each parent for the same amount of time during the year and they do not file a joint return together, or
- › The person with the highest AGI if no one is the child's parent.



What is a valid Social Security number (SSN)?

You (and your spouse if filing jointly) must have a valid SSN to claim the **EITC**. Any qualifying child listed on Schedule EIC must also have a valid SSN. SSNs are issued only by the Social Security Administration. To get one, you must prove your U.S. citizenship or immigration status, age and identity.

- › If you are an alien who is not a permanent resident and have a Social Security card that says VALID FOR EMPLOYMENT ONLY WITH INS/DHS AUTHORIZATION, you have a valid SSN for the **EITC**.
- › If you obtained your SSN solely to receive a federally funded benefit, such as Medicaid, it is not valid for claiming the **EITC**. The Social Security card usually says NOT VALID FOR EMPLOYMENT.
- › If you (or your spouse if filing jointly) have an individual taxpayer identification number (ITIN), it is not valid for claiming the **EITC**.
- › If a child has an ITIN or an adoption taxpayer identification number (ATIN), it is not valid for claiming that child for the **EITC**.



What is earned income?

- It is income you get from employment or self-employment. Here are some examples. Earned income includes:
 - › taxable wages, salaries and tips
 - › net earnings from self-employment
 - › gross income received as a statutory employee
- Earned income does not include:
 - › nontaxable employee benefits such as education assistance
 - › pensions, alimony, child support, and Temporary Assistance for Needy Families (TANF)
- Special earned income rules apply for members of the U.S. Armed Forces in combat zones, members of the clergy, and those with disability retirement income.

How do I figure my EITC?

- If you qualify to claim it, you can figure the credit yourself or have the IRS figure it for you. Either way, you can use Publication 596, Earned Income Credit, for requirements, worksheets and examples on how to do it.
- Keep in mind:
 - › If you are claiming a qualifying child, you must complete and attach Schedule EIC to your return.
 - › If your EITC for 1997 or later was denied or reduced by the IRS as the result of an audit, to claim the credit for 2006 you may need to attach Form 8862, Information to Claim

Earned
Income
Credit After
Disallowance,
to your return.



How do I get advance **EITC**?

- To get part of the credit in your paycheck during the year, you must:
 - › Receive wages
 - › Expect to qualify for the **EITC**
 - › Expect to have at least one qualifying child
 - › Complete Form W-5, Earned Income Credit Advance Payment Certificate, and give it to your employer.
- If you later find out that you do not qualify, you will need to fill out a new Form W-5 and give it to your employer to stop the advance payments. You will have to repay all advance **EITC** money when you file your tax return.



How can I get help?

- › Go to www.irs.gov/eitc for free information and forms. And the interactive **EITC Assistant** can show you if you qualify.
- › Visit a Volunteer Income Tax Assistance (VITA) site for free help and tax preparation.
- › Use Free File at www.irs.gov, your link to free online filing through commercially available tax preparation software.
- › Find a qualified tax preparer.
- › Call **1-800-TAX-1040** for tax help and VITA site locations.
- › Call **1-800-TAX-3676** for free IRS publications and forms.
- › Call **1-800-TAX-4059** if you have access to TTY/TDD equipment for the hearing impaired.



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