

Earned Income Tax Credit FACT SHEET

What is the Earned Income Tax Credit (EITC)? The EITC is a refundable federal tax credit for people who work full- or part-time but don't earn a lot of money. People can get back some or all of the money they paid in income taxes during the year, and sometimes even get money back in a refund! This money helps families cover expenses like rent, utilities, food and childcare—making it easier to keep working.

Who Can Get the EITC? People who worked full- or part-time at any point during 2006 but did not earn a lot of money can claim the Earned Income Tax Credit. Even workers whose incomes were too small to have paid taxes or were self-employed can get the EITC. The worker, their spouse, and children must have valid social security numbers that permit them to work. Workers who are not raising children may be eligible but must be between the ages of 25 and 64. A worker's 2006 investment income (for example interest and dividends) must have been less than \$2,800.

How Much is the EITC Worth to Workers? The Federal EITC can be worth as much as \$4,536. Not everyone will get this amount, but this year families can expect, on average, more than \$2,000. So, if a person worked at any time during 2006 they may qualify, depending on how much they earned and how many qualifying children they have. See the box, at right, for a detailed look at eligibility information.

Which Children Qualify to be Claimed for the EITC? Children must be 18 years of age and younger or 23 years of age and younger if they are full-time students at the end of 2006. Children of any age qualify if they are totally and permanently disabled. Children must live with the worker in the United States for more than half the year and have a valid social security number to qualify. Children who qualify for the EITC include:

- Sons, daughters, stepchildren, adopted children, and grandchildren;
- Brothers, sisters, stepbrothers, stepsisters, and their descendants such as nieces and nephews; and
- Foster children placed by an authorized government or private agency.

| Number of children raised* | Earned up to: | If married (combined earnings): | EITC can be worth up to: |
|----------------------------|---------------|---------------------------------|--------------------------|
| 2 or more | \$36,348 | \$38,348 | \$4,536 |
| 1 child | \$32,001 | \$34,001 | \$2,747 |
| No children | \$12,120 | \$14,120 | \$412 |

In 2006

*Workers who are not raising children must be between the ages of 25 and 64 to be eligible for the EITC.

Earned Income Tax Credit FACT SHEET Continued...



Children's Defense Fund

How Can Workers Get the EITC?

Workers must file their federal tax return, using Form 1040 or Form 1040A and attaching Schedule EIC. Married workers must file jointly. Workers not raising children can file any form, including 1040EZ. They must write "EIC" or the amount of the credit on the Earned Income Credit line of the tax form.

Workers may also amend or file tax returns for the past three years to claim the EITC if they had not filed taxes or claimed the credit in the past.

Can Immigrants Receive the EITC?

Many legal immigrants who work can qualify for the EITC as long as they meet the eligibility requirements. Immigrants, their spouses, and children must have valid social security numbers that permit them to work legally in the United States. Qualifying children must have lived in the worker's home in the U.S. from more than six months in 2006. Immigrants who only have an Individual Taxpayer Identification Number (ITIN) cannot claim the EITC. They can, however, file taxes and may be able to claim other tax credits like the Child Tax Credit.

Does the EITC Affect Public Benefits?

Generally, the EITC does not affect eligibility for benefits like TANF, the Food Stamp Program, SSI, Medicaid, or public or subsidized housing. The EITC is not counted as income when determining eligibility for these programs, but it may be counted as a resource for some programs if it is not spent within a certain timeframe. If the worker has few or no other resources, the EITC is usually not enough to exceed the resource limit for these programs.

Do Workers Have to Wait to File their Taxes to Get the EITC?

With the Advance EITC payment option, some workers who are raising children can get part of their EITC in their paychecks throughout the year and the rest in a refund check from the IRS after they file their taxes. Workers who think they might be eligible should talk to their employer and fill out a W-5 form, which is also known as the Earned Income Credit Advance Payment Certificate.

Where Can Workers Get help Claiming the EITC and Filing their Taxes?

There are free tax-filing assistance sites located across the country. To find the site nearest you, call the IRS at (800) 829-1040.

**It's your money.
You earned it.
NOW CLAIM IT!**

