



News Release
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The Earned Income Credit: A Powerful Benefit for People Who Work

If you struggle to get by from paycheck to paycheck there is a way to get the IRS to give you money. Yes, you did hear right! The Earned Income Credit (EIC) is a special tax benefit for working people who earn low or moderate incomes. It has several important purposes: to reduce the tax burden on these workers, to supplement wages, and to provide a work incentive.

Workers who qualify for the EIC and file a federal tax return can get back some or all of the federal income tax that was taken out of their pay during the year. They may also get extra cash back from the IRS. Even workers whose earnings are too small to owe income tax can get the EIC. What's more, the EIC offsets any additional taxes workers may owe, such as payroll taxes.

Who can get the EIC and how much is it worth? Single or married people who worked full-time or part-time at some point in 2006 can qualify for the EIC, depending on their income.

- Workers who were raising one child in their home and had income of less than \$32,001 (or \$34,001 for married workers) in 2006 can get an EIC of up to **\$2,747**.
- Workers who were raising more than one child in their home and had income of less than \$36,348 (or \$38,348 for married workers) in 2006 can get an EIC of up to **\$4,536**.
- Workers who were not raising a child in their home, were between ages 25 and 64 on December 31, 2006, and had income below \$12,120 (or \$14,120 for married workers) can get an EIC up to **\$412**.

Workers with *investment income* exceeding \$2,800 in 2006 may not claim the EIC.

Which children qualify for the EIC?

- Sons, daughters, stepchildren, grandchildren and adopted children
- Brothers, sisters, stepbrothers, or stepsisters—as well as descendants of such relatives
- Foster children who are placed with the worker by an authorized government or private placement agency

“Qualifying children” must live with the worker for more than half the year. They must be under age 19, or under age 24 if they are full-time students. Children of any age who have total and permanent disabilities also may be qualifying children. Valid Social Security numbers are required for qualifying children born before December 31, 2006.

So, how can you get this money? Workers who were raising a “qualified child” in their home in 2006 must file either Form 1040 or 1040A and **must** fill out and attach Schedule EIC. Workers with children cannot get the EIC if they file Form 1040EZ or do not attach Schedule EIC. Married workers must file a joint return to get the EIC.

Workers who were not raising a “qualified child” in their home in 2006 can file any tax form—including the 1040EZ. These workers write “EIC” or the dollar amount of their credit) on the Earned Income Credit line on the tax form. They do **not** file Schedule EIC. A correct name and Social Security number must be provided for every person listed on the tax return and Schedule EIC. If this information is incorrect or missing, the IRS will delay the refund. Workers don’t have to calculate their own EIC; if they choose, the IRS will do it for them!

Many families can earn even more money through something called the Child Tax Credit (CTC). If the family has a taxable earned income above \$11,300 they may qualify. This can pay up to \$1000 for each qualifying child under age 17 claimed on the worker’s tax return.

What if you don’t know how to file a tax return? Get FREE help! VITA, a program of the IRS, helps people fill out their tax forms for free. VITA sites are open from late January through April 15. Many VITA sites have electronic filing for faster refunds. To find a VITA site near you, call 1-800-829-1040. Be patient—the 24-hour line is often busy.

Don’t let this opportunity to put up to \$4536 in your pocket pass you by! Take advantage of the tax benefits you have earned. For more information about how you can get these tax credits and free help filing taxes, call the IRS at 1-800-TAX-1040.

For more information on this or related topics, please contact Lee Ann Clark, County Extension Coordinator at the St. Clair County office- (205)338-9416 or email at clarkla@auburn.edu.

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