

Fact Sheet

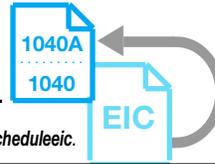
Module 11: Earned Income Credit

A tax credit is a dollar-for-dollar reduction of the tax. A refundable tax credit is a tax credit that permits a refund of the amount of the credit that exceeds the amount of the tax. The earned income credit is a refundable tax credit for certain people who work and whose earned income and adjusted gross income are under a specified limit. Many rules apply to the earned income credit. The credit is generally determined by the taxpayer's adjusted gross income, earned income, filing status, and the number of qualifying children, if any. If adjusted gross income is the same, taxpayers with more than one qualifying child receive the highest earned income credit, and taxpayers without a qualifying child receive the lowest earned income credit. The earned income credit reduces the tax. Eligible taxpayers can receive the earned income credit even if their tax is zero.

SCHEDULE EIC
(Form 1040A or 1040)

Earned Income Credit

Qualifying Child Information



OMB No. 1545-0074

2014

Attachment
Sequence No. **43**

Department of the Treasury
Internal Revenue Service (99)

- ▶ Complete and attach to Form 1040A or 1040 only if you have a qualifying child.
- ▶ Information about Schedule EIC (Form 1040A or 1040) and its instructions is at www.irs.gov/scheduleeic.

Name(s) shown on return

Your social security number

Before you begin:

- See the instructions for Form 1040A, lines 42a and 42b, or Form 1040, lines 66a and 66b, to make sure that (a) you can take the EIC, and (b) you have a qualifying child.
- Be sure the child's name on line 1 and social security number (SSN) on line 2 agree with the child's social security card. Otherwise, at the time we process your return, we may reduce or disallow your EIC. If the name or SSN on the child's social security card is not correct, call the Social Security Administration at 1-800-772-1213.



- If you take the EIC even though you are not eligible, you may not be allowed to take the credit for up to 10 years. See the instructions for details.
- It will take us longer to process your return and issue your refund if you do not fill in all lines that apply for each qualifying child.

Qualifying Child Information

Child 1

Child 2

Child 3

	First name	Last name	First name	Last name	First name	Last name
1 Child's name If you have more than three qualifying children, you have to list only three to get the maximum credit.						
2 Child's SSN The child must have an SSN as defined in the instructions for Form 1040A, lines 42a and 42b, or Form 1040, lines 66a and 66b, unless the child was born and died in 2014. If your child was born and died in 2014 and did not have an SSN, enter "Died" on this line and attach a copy of the child's birth certificate, death certificate, or hospital medical records.						
3 Child's year of birth	Year _____ <i>If born after 1995 and the child is younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>		Year _____ <i>If born after 1995 and the child is younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>		Year _____ <i>If born after 1995 and the child is younger than you (or your spouse, if filing jointly), skip lines 4a and 4b; go to line 5.</i>	
4 a Was the child under age 24 at the end of 2014, a student, and younger than you (or your spouse, if filing jointly)?	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 4b.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 4b.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 4b.</i>
b Was the child permanently and totally disabled during any part of 2014?	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. The child is not a qualifying child.	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. The child is not a qualifying child.	<input type="checkbox"/> Yes. <input type="checkbox"/> No. <i>Go to line 5.</i>	<input type="checkbox"/> Yes. <input type="checkbox"/> No. The child is not a qualifying child.
5 Child's relationship to you (for example, son, daughter, grandchild, niece, nephew, foster child, etc.)						
6 Number of months child lived with you in the United States during 2014 • If the child lived with you for more than half of 2014 but less than 7 months, enter "7." • If the child was born or died in 2014 and your home was the child's home for more than half the time he or she was alive during 2014, enter "12."	_____ months <i>Do not enter more than 12 months.</i>		_____ months <i>Do not enter more than 12 months.</i>		_____ months <i>Do not enter more than 12 months.</i>	

Rules for Everyone

- Taxpayer must have valid Social Security number.
- Taxpayer must have earned income.
- Taxpayer cannot use the married filing a separate return filing status.
- Taxpayer generally must be U.S. citizen or resident alien all year.
- Taxpayer cannot claim an exclusion for income earned in a foreign country.
- Taxpayer cannot have more than \$3,350 in investment income.
- Taxpayer cannot be a qualifying child of another person.

Rules for Taxpayers with a Qualifying Child

To be a qualifying child, the child must meet the following tests:

Relationship

- son, daughter, stepson, stepdaughter, or descendant
- brother, sister, stepbrother, stepsister, or descendants
- eligible foster child, a child placed with the taxpayer by an authorized agency, whom the taxpayer cares for as the taxpayer's own child

Age

- Under age 19 or
- Under age 24, a full-time student, and younger than you (or your spouse, if filing jointly) or
- Any age if permanently and totally disabled

Residency

- Lived with taxpayer in the United States for more than half of the tax year
- The taxpayer cannot be the qualifying child of another person.
- A person can be claimed as a qualifying child on one tax return only.

Joint Return

- A child cannot file a joint return for the year; however, an exception to the joint return test applies if your child and his or her spouse file a joint return only to claim a refund of income tax withheld or estimated tax paid.

Qualifying Child of More Than One Person

If the child meets the conditions to be the qualifying child of more than one person, only one person can claim the child. The following rules apply:

- If only one person is the child's parent, then the child is treated as the qualifying child of the parent.
- If the parents file a joint return together and can claim the qualifying child, the child is treated as the qualifying child of the parents.
- If the parents do not file a joint return, but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived the longest during the year. If the child lived with each

parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for the year.

- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for the year.
- If a parent can claim the child as a qualifying child but neither parent does, the child is treated as the qualifying child of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child.

Rules for Taxpayers Without a Qualifying Child

The taxpayer

- must be at least age 25 but under age 65.
- cannot qualify as a dependent of another person.
- must have lived in the United States for more than half of the tax year.

Summary of the Rules for Claiming an Exemption for a Dependent

- You cannot claim any dependents if you, or your spouse if filing jointly, could be claimed as a dependent by another taxpayer.
- You cannot claim a married person who files a joint return as a dependent unless that joint return is only a claim for refund and there would be no tax liability for either spouse on separate returns.
- You cannot claim a person as a dependent unless that person is a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico.¹
- You cannot claim a person as a dependent unless that person is your **qualifying child** or **qualifying relative**.

Tests To Be a Qualifying Child	Tests To Be a Qualifying Relative
<ol style="list-style-type: none"> 1. The child must be your son, daughter, stepchild, eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them. 2. The child must be (a) under age 19 at the end of the year and younger than you (or your spouse, if filing jointly), (b) under age 24 at the end of the year, a full-time student and younger than you (or your spouse, if filing jointly), or (c) any age if permanently and totally disabled. 3. The child must have lived with you for more than half of the year.² 4. The child must not have provided more than half of his or her own support for the year. 5. The child is not filing a joint return for the year (unless that joint return is filed only as a claim for refund of income tax withheld or estimated tax paid). 6. If the child meets the rules to be a qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child. 	<ol style="list-style-type: none"> 1. The person cannot be your qualifying child or the qualifying child of anyone else. A child is not the qualifying child of any other taxpayer if the child's parent (or any other person for whom the child is defined as a qualifying child) is not required to file an income tax return or files an income tax return only to get a refund of income tax withheld. 2. The person either (a) must be related to you in one of the ways listed under <i>Relatives who do not have to live with you</i>, or (b) must live with you all year as a member of your household (and your relationship must not violate local law).² 3. The person's gross income for the year must be less than \$3,950. Gross income means all income the person received in the form of money, goods, property and services that is not exempt from tax. Do not include social security benefits unless the person is married filing a separate return and lived with their spouse at any time during the tax year or if 1/2 the social security benefits plus their other gross income and tax exempt interest is more than \$25,000

	(\$32,000 if MFJ). ³ 4. You must provide more than half of the person's total support for the year. ⁵
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¹ There is an exception for certain adopted children.

² There are exceptions for temporary absences, children who were born or died during the year, children of divorced or separated parents, and kidnapped children.

³ There is an exception if the person is disabled and has income from a sheltered workshop.

⁴ There are exceptions for multiple support agreements, children of divorced or separated parents or parents who live apart, and kidnapped children.

⁵ If a person receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the person. Benefits provided by the state to a needy person (welfare, food stamps, housing, SSI) are generally considered support provided by the state.