

Earned Income Credit (EIC)

				b. To	tally a	nd perma	anently disabled Yes No c. Legally blind Yes No		
Can anyone claim you or y	our spouse	e as a depende	ent?	Yes [No	□ Un	sure		
11. Have you, your spouse, or	dependen	ts been a victin	n of tax relat	ed identi	ty the	ft or beer	n issued an Identity Protection PIN?		
Part II - Marital Status and	d Househ	old Informati	on						
1. As of December 31, 2019, w	what	Never Married (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)							
was your marital status?		Married a. If Yes, Did you get married in 2019? ☐ Yes ☐ No							
		b. Did you live with your spouse during any part of the last six months of 2019? ☐ Yes ☐ No							
	П	Divorced Date of final decree							
		Legally Separ	ated Date	of sepa	rate n	naintenar	nce decree		
		Widowed Year			8. (B) Student loan interest? (Form 1098-E)				
List the names below of: everyone who lived with you last year (other than your spouse) anyone you supported but did not live with you last year				Yes	No	Unsure	Part V - Life Events - Last Year, Did You (or Your Spouse)		
				0			(HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 wit (A) Have credit card or mortgage debt cancelled/forgiven by a lender or hav		
	Date of Birth		Number of U		-		(A) Adopt a child? 3. (A) Adopt a child?		
	(mm/dd/yy)	to you (for example:	months Ci	tiz 🗆					
		son,	your home last year	1 -		1 1	4. (B) Have Earned Income Credit, Child Tax Credit or American Opportunity Cre		
		daughter, parent.					5. (A) Purchase and install energy-efficient home items? (such as windows, furna		
		parent,					(A) Receive the First Time Homebuyers Credit in 2008?		
		none, etc)							
(a)	(b)	none, etc) (c)	(d)				(B) Make estimated tax payments or apply last year's refund to this year's tax? (A) File a federal return last year containing a "capital loss carryover" on Form		

About Earned Income Credit (EIC)

- TaxSlayer: Payments Screen
- Additional resources listed in L< "References" tab
- Review all tips and cautions
- Read all examples and sample interviews
- We will review answers to each exercise in the lesson

Objectives – Earned Income Credit (EIC)

- Determine if a taxpayer is eligible for the EIC
- Calculate the EIC
- Time Required: 1 hour

Topics





- What is the EIC?
- Qualifying for the EIC
- Rules for taxpayers with qualifying children
- Rules for taxpayers without qualifying children
- Calculating the tax credit

Key Terms

Definitions are always available in the L< online Glossary.

- ATIN
- Earned Income
- Earned Income Credit (EIC)
- ITIN
- Unearned Income
- Refundable Credit

What is the EIC?

- A refundable tax credit available to eligible taxpayers who do not earn high incomes
- Qualifying taxpayers can receive a refund even if they have no filing requirement, owe no tax, and had no income tax withheld
- Families may claim EIC for three or more children, and amounts are adjusted for inflation every year

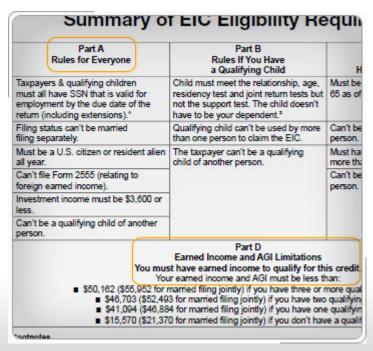
Qualifying for the EIC

- Three sets of rules:
 - General eligibility rules for everyone
 - Rules for taxpayers with one or more qualifying children
 - Rules for taxpayers who do not have a qualifying child

• Review Pub 4012, <u>Summary of EIC Eligibility Requirements</u>; focus on

Part A and Part D

- Avoid common EIC filing errors:
 - Incorrectly reported income
 - Incorrectly reported SSNs
 - Married taxpayers incorrectly filing as Single or Head of Household
 - Claiming a non-qualifying child



Qualifying for the EIC

- What are some example of earned income that may qualify taxpayers for the EIC?
 - Wages, salaries, tips, and other taxable employee pay
 - Taxable long-term disability benefits received prior to minimum retirement age
 - Nontaxable combat pay; compare the EIC amount with and without this pay before electing to

include it in earned income

See Pub 4012, <u>Earned</u>
 <u>Income Table</u> for a complete list

Earned Income Table

	Earned Income for EIC						
Includes	Doesn't include						
Includes Taxable wages, salaries, and tips Union strike benefits Taxable long-term disability benefits received prior to minimum retirement age Net earnings from self-employment Gross income of a statutory employee Household employee income	Doesn't include Interest and dividends Social security and railroad retirement benefits Welfare benefits Workfare payments Pensions and annuities (except if disability pension and taxpaye under minimum retirement age) Veteran's benefits (including VA rehabilitation payments) Workers' compensation benefits Alimony						
Nontaxable combat pay election Non-Employee compensation The rental value of a home or a housing allowance provided to a minister as part of the	Child support Nontaxable foster-care payments Unemployment compensation Taxable scholarship or fellowship grants that aren't reported on Form W-2						

Rules for Taxpayers with Qualifying Children

- Claiming a child who is not a qualifying child is one of the most common EIC errors; make sure you apply the rules correctly.
- Review Pub 4012, Tab I, Earned Income Credit:
 - Summary of EIC Eligibility Requirements, Part B
 - EIC General Eligibility Rules Chart
 - EIC Qualifying Child Chart
 - Qualifying Child of More than One Person

Common EIC Filing Errors

- Claiming a child who doesn't meet the residency and relationship requirements
- Married taxpayers incorrectly filing as a single or head of household
- Incorrectly reporting income, particularly income and expenses from self-employment
- Incorrect social security numbers

^{*}Note: This particular income is entered as other income on the return and not counted as earned income.

Rules for Taxpayers without Qualifying Children

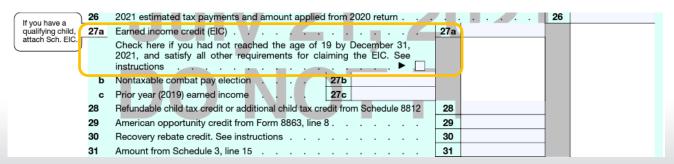
Rules are presented in Pub 4012, Tab I, Earned Income Credit, Part C, and EIC charts

- Cannot be the dependent of another person
 - Check Part I, question 11 on Form 13614-C
- Must have lived in the U. S. more than half the year

Part A es for Everyone	Part B Rules If You Have a Qualifying Child	Part C Rules If You Dor Have a Qualifying (Must be at least age 25 to age 65 as of December 6	
a qualifying children we SSN that is valid for it by the due date of the uding extensions).	Child must meet the relationship, age, residency test and joint return tests but not the support test. The child doesn't have to be your dependent. If child is married, see Note below.		
can't be married ately.	Qualifying child can't be used by more than one person to claim the EIC.	Can't be the dependent of person.	
J.S. citizen or resident ar.	The taxpayer can't be a qualifying child of another person.	Must have lived in the Ur States more than half the	
orm 2555 or -EZ (relating to foreign ome).		Can't be a qualifying chil another person.	
Income must be \$3,450			
qualifying child of son.			

Calculating the Tax Credit

- Check Part V, question 4 on Form 13614-C: Did you (or your spouse) have EIC disallowed in a prior year?
 - If yes, see the special rules in Pub 4012, <u>Disallowance of the Earned Income Credit</u>
- EIC amount is determined using worksheets and the EIC tables
 - Found in Pub 596 or in Form 1040 Instructions
 - TaxSlayer will calculate the amount of EIC
- Use Schedule EIC if the taxpayer has at least one qualifying child
- Taxpayers with no children make a direct entry on the EIC line on Form 1040.



Summary

- The earned income credit (EIC) computation is based on filing status, number of qualifying children, earned income, and adjusted gross income. Certain individuals with no children may also qualify.
- By using the intake and interview sheet, the EIC charts in the Volunteer Resource Guide, and correctly filling out the EIC worksheets, most common errors can be avoided.
- The EIC is entered in the Payments section of the return.