

Earned Income Credit (EIC)

10. Can anyone claim you or your spouse as a dependent? Yes No Unsure

11. Have you, your spouse, or dependents been a victim of tax related identity theft or been issued an Identity Protection PIN? Yes No

Part II – Marital Status and Household Information

1. As of December 31, 2019, what was your marital status? Never Married (This includes registered domestic partnerships, civil unions, or other formal relationships under state law) Married a. If Yes, Did you get married in 2019? Yes No Divorced b. Did you live with your spouse during any part of the last six months of 2019? Yes No Legally Separated Date of final decree _____ Date of separate maintenance decree _____ Widowed Year

2. 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

Name (first, last) Do not enter your name or spouse's name below	Date of Birth (mm/dd/yy)	Relationship to you (for example: son, daughter, parent, none, etc)	Number of months lived in your home last year	US Citizen (yes)
(a)	(b)	(c)	(d)	(e)

8. (B) Student loan interest? (Form 1098-E) Yes No Unsure

Part V – Life Events – Last Year, Did You (or Your Spouse)

1. (HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code V)

2. (A) Have credit card or mortgage debt cancelled/forgiven by a lender or have a home

3. (A) Adopt a child?

4. (B) Have Eamed Income Credit, Child Tax Credit or American Opportunity Credit dis

5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, ins

6. (A) Receive the First Time Homebuyers Credit in 2008?

7. (B) Make estimated tax payments or apply last year's refund to this year's tax? If s

8. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 :

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, [Summary of EIC Eligibility Requirements](#); 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

Part A Rules for Everyone	Part B Rules If You Have a Qualifying Child	Part C Rules If You Do Not Have a Qualifying Child
Taxpayers & qualifying children must all have SSN that is valid for employment by the due date of the return (including 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.†	Must be 65 or older.
Filing status can't be married filing separately.	Qualifying child can't be used by more than one person to claim the EIC.	Can't be person.
Must be a U.S. citizen or resident alien all year.	The taxpayer can't be a qualifying child of another person.	Must have more than one person.
Can't file Form 2555 (relating to foreign earned income).		Can't be person.
Investment income must be \$3,600 or less.		
Can't be a qualifying child of another person.		
<p>Part D Earned Income and AGI Limitations</p> <p>You must have earned income to qualify for this credit. Your earned income and AGI must be less than:</p> <ul style="list-style-type: none"> ■ \$50,162 (\$55,952 for married filing jointly) if you have three or more qualifying children ■ \$46,703 (\$52,493 for married filing jointly) if you have two qualifying children ■ \$41,094 (\$46,884 for married filing jointly) if you have one qualifying child ■ \$15,570 (\$21,370 for married filing jointly) if you don't have a 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, [Earned Income Table](#) for a complete list

Earned Income Table	
Earned Income for EIC	
Includes	Doesn't include
<ul style="list-style-type: none"> • 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 • 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 	<ul style="list-style-type: none"> • Interest and dividends • Social security and railroad retirement benefits • Welfare benefits • Workfare payments • Pensions and annuities (except if disability pension and taxpayer under minimum retirement age) • Veteran's benefits (including VA rehabilitation payments) • Workers' compensation benefits • Alimony • 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

Summary of EIC Eligibility Requirement		
Part A Rules for Everyone	Part B Rules If You Have a Qualifying Child	Part C Rules If You Don't Have a Qualifying Child
Must have a qualifying child (see instructions for the EIC on Form 2555 or Form 2555-EZ (relating to foreign income)).	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.	Must be at least age 25 before age 65 as of December 31 of the year.
Can't be married separately.	Qualifying child can't be used by more than one person to claim the EIC.	Can't be the dependent of another person.
U.S. citizen or resident alien.	The taxpayer can't be a qualifying child of another person.	Must have lived in the United States more than half the year.
Form 2555 or Form 2555-EZ (relating to foreign income).		Can't be a qualifying child of another person.
Income must be \$3,450 or less.		
Qualifying child of taxpayer or spouse.		
Part D Earned Income and AGI Limitations You must have earned income to qualify for this credit.		

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, [Disallowance of the Earned Income Credit](#)
- 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.

If you have a qualifying child, attach Sch. EIC.	26	2021 estimated tax payments and amount applied from 2020 return	26
	27a	Earned income credit (EIC)	27a
		Check here if you had not reached the age of 19 by December 31, 2021, and satisfy all other requirements for claiming the EIC. See instructions <input type="checkbox"/>	
	b	Nontaxable combat pay election 27b	
	c	Prior year (2019) earned income 27c	
	28	Refundable child tax credit or additional child tax credit from Schedule 8812	28
	29	American opportunity credit from Form 8863, line 8	29
	30	Recovery rebate credit. See instructions	30
	31	Amount from Schedule 3, line 15	31

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.