Lesson Plan

Earned Income Credit (EIC)

Time Required: 1 hour

Introduction	Objectives	Topics
This lesson covers the Earned Income Credit (EIC), which is based on the taxpayer's filing status, number of qualifying children, earned income, and adjusted gross income. Volunteers use the intake and interview sheet, the interview tips in the Volunteer Resource Guide, and the EIC worksheets to compute the EIC.	Determine if a taxpayer is eligible for the EIC. Calculate the EIC.	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

ATIN: Adoption Taxpayer Identification Number.

Earned Income: Any income received for work, such as wages or business income.

Earned Income Credit (EIC): A credit that can be paid to low-income workers, even if no income tax was withheld from the worker's pay. Taxpayers must file a tax return to receive the credit.

ITIN: Individual Taxpayer Identification Number.

Unearned Income: Income other than pay for work performed. Interest and dividends from savings or investments are common types of unearned income.

Refundable Credit: Occurs when the amount of a credit is greater than the tax owed. Even if taxpayers' tax liability is zero, they can receive a "refund" of excess credit.

Teacher Tips

Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	**Review** the online demo of TaxSlayer on EIC.	**TaxSlayer® Demo:** From the Practice Lab, select: • TaxSlayer IRS training • Click the appropriate demo.
Provide details and engage the students	**Discuss** all tips and cautions in detail. **Ask** students to read and/or role-play examples and sample interviews. **Review** answers to each exercise; ask students how they arrived at their answers.	**Internet:** Link & Learn Taxes (L&LT) Earned Income Credit (EIC)

Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	**Review** lesson objectives. **Ask** students to define "refundable credit." **Emphasize** that the EIC is a valuable credit for low-income families. **Review** list of references. **State** the presentation time.	**Visuals:** Form 1040, Page 2, lines 66a & 66b Form 13614-C Pub 4012, Earned Income Credit tab, Income tab, and Preparing the Return tab

What is the EIC?	**Ask** students to define the EIC, and explain its purpose. **Ask** students to explain earned income vs. unearned income. **Point out** the current tax year's maximum earned income credit for families with three or more children. **Refer** students to the Aspen Institute's EITC Platform website, tools and resources for volunteer tax preparers.	**Visuals:** Pub 4012, Earned Income Credit tab: • Earned Income Table • Summary of EIC Eligibility Requirements • Schedule EIC Pub 4012, Preparing the Return tab, Overview of the Rules for Claiming an Exemption for a Dependent Pub 596 **Internet:** YouTube video: Earned Income Tax Credit EITC Central
Qualifying for the EIC	**State** the three general sets of rules for claiming the EIC: • Rules for everyone • Rules for taxpayers with a qualifying child • 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. **Review** Pub 4012, Common EIC filing errors. **Point out** that ITINs and ATINs cannot be used when claiming the EIC. **Emphasize** that taxpayers must have a valid SSN by the due date of the return to claim the credit and they cannot retroactively file an amended return for any year in which they did not have a valid SSN by the due date of the return. **Ask** students to list types of earned income that qualifies for the EIC. Confirm answers with Pub 4012, Earned Income Table. **Remind** students that both earned income and adjusted gross income must	**Visuals:** Form 13614-C, Section A, Part III Pub 4012, Earned Income Credit tab, Income tab: • Summary of EIC Eligibility Requirements • Common EIC Filing Errors • Earned Income Table • Disallowance of the Earned Income Credit Pub 4012, Income tab Form 1099-R L&LT Earned Income Credit (EIC), case studies **Internet:** FAQs: Earned Income Tax Credit EITC Home Page EITC Income Limits, Maximum Credit Amounts and Tax Law Updates Earned Income Tax Credit (EITC) – Use the EITC Assistant to Find Out if You Should Claim it

	be below the limits in order for the taxpayer to qualify for the EIC. **Show** Form 1099-R, Box 7; point out that the distribution code 3 indicates disability income. **Explain** that nontaxable combat pay may be included as earned income for the EIC purposes, and reported on Form 1040, line 66b. **Discuss** disallowance of EIC. **Read and discuss** the case studies from L&LT for this topic.	
Rules for taxpayers with qualifying children	**Review** Pub 4012, Summary of EIC Eligibility Requirements; focus on Part B. **Review** the interview tips in Pub 4012, EIC with a Qualifying Child. **Read and discuss** the case studies from L&LT for this topic, starting on slide 12. **Review** the tip in Pub 4012, Qualifying Child of More than One Person. **Demo** the Basic Information section; point out that children should be listed from youngest to oldest, and check the EIC box.	**Visual:** Pub 4012, Earned Income Credit tab, Income tab: • Summary of EIC Eligibility Requirements • EIC with a Qualifying Child • Qualifying Child of More than One Person **Internet:** FAQ: Qualifying Child Rules **TaxSlayer Demo:** Basic Information section
Rules for taxpayers without qualifying children	**Review** Pub 4012, Summary of EIC Eligibility Requirements; focus on Part C. **Review** the interview tips in Pub 4012, EIC without a Qualifying Child. **Remind** students to review Part I, question 10 on the intake and interview sheet: Can anyone claim you or your spouse on their tax return? **Clarify** the age requirements for joint filers.	**Visuals:** Pub 4012, Earned Income Credit tab, Income tab: • Summary of EIC Eligibility Requirements • EIC without a Qualifying Child Form 13614-C, Section A, Part I

Calculating the tax credit	**Remind** students to review Part V, question 4 on the intake and interview sheet: Did you… have EIC disallowed in a prior year? **Ask** students to find the EIC table in Publication 596 or in the Form 1040 Instructions. **Give** students examples and ask them to look up the correct amount on the EIC table. **Explain** how and when to use: • Schedule EIC • Schedule EIC Worksheet **Read and discuss** the case study in L&LT Earned Income Credit (EIC) for this topic.	**Visuals:** Form 13614-C, Section A, Part V Pub 4012, Preparing the Return tab Pub 4012, Earned Income Credit tab, Income tab, Disallowance of the Earned Income Credit Form 1040, lines 66a & 66b Form 1040 Instructions, EIC Table Pub 596 **Internet:** Tax Topic: Earned Income Credit
Summary	**Review** the lesson summary with the class.	**Visuals:** Publication 4491, Earned Income Credit (EIC), Summary
Practice	**Select** the practice exercise on EIC or continue from previous practice. **Ask** students to select the problem based on their certification course of study. **Verify** they have correctly entered the EIC.	**Visuals:** Publication 4491-W Comprehensive Problem and Practice Exercises

References	
Pub 4491	Earned Income Credit (EIC)
Form 1040	Form 1040, Lines 66a and 66b Form 1040 Instructions, Lines 66a and 66b Form 1040 Instructions, EIC Table
Form 13614-C	Form 13614-C, Intake/Interview & Quality Review Sheet
Pub 4012	Pub 4012, Volunteer Resource Guide, Earned Income Credit tab, Income tab, and Preparing the Return tab Earned Income Table Common EIC Filing Errors Summary of EIC Eligibility Requirements Disallowance of the Earned Income Credit EIC General Eligibility Rules EIC with a Qualifying Child EIC without a Qualifying Child Qualifying Child of More than One Person Form 1099-R
Pub 17	Pub 17, Chapter 36, Earned Income Credit (EIC)
Pub 4491-W	Pub 4491-W: International comprehensive problem, practice exercise(s) or supplements for EIC
Optional	
Pub 596	Pub 596, Earned Income Credit (EIC)
Schedule EIC	Schedule EIC

Recommended Classroom Activities

Skills Workout: Link & Learn Taxes Earned Income Credit (EIC)

Click Skills Workout to access Link & Learn Taxes Earned Income Credit (EIC).

Certification Warm Up – Exercises

Click Certification Warm Up to access the Exercises in Link & Learn Taxes Earned Income Credit (EIC).

Media: Video & Audio for Lesson

- YouTube video: Earned Income Tax Credit
  https://www.youtube.com/watch?v=mPx6c7NXg7s
- YouTube video: Earned Income Tax Credit – Get It Right
  https://www.youtube.com/watch?v=p02WNydEh-c

TaxSlayer Tips and Resources for Lesson

Practice Lab Tutorial	1. Link to the Practice Lab. 2. Enter the universal password (if you do not have the password, you can request it from your site coordinator or SPEC relationship manager). 3. Sign in to Practice Lab or create an account. 4. Select the appropriate tutorial.

Job Aids

ITA and FAQs for Lesson

Tax Trails	Earned Income Tax Credit (EITC) – Use the EITC Assistant to Find Out if You Should Claim it http://www.irs.gov/Individuals/Earned-Income-Tax-Credit-(EITC)-%e2%80%93--Use-the-EITC-Assistant-to-Find-Out-if-You-Should-Claim-it.
FAQs	Earned Income Tax Credit http://www.irs.gov//Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Earned-Income-Tax-Credit Qualifying Child Rules http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Earned-Income-Tax-Credit/Qualifying-Child-Rules Other EITC Issues http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Earned-Income-Tax-Credit/Other-EITC-Issues
Tax Topics	Earned Income Credit http://www.irs.gov/taxtopics/tc601.html
Other	EITC Home Page http://www.irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit EITC Income Limits, Maximum Credit Amounts and Tax Law Updates http://www.irs.gov/Individuals/EITC-Income-Limits,-Maximum-Credit--Amounts-and-Tax-Law-Updates Special EITC Rules http://www.irs.gov/Individuals/Earned-Income-Tax-Credit-Rules-for-Everyone EITC Central http://www.eitc.irs.gov/

Practice Lab

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