# Lesson Plan

**Earned Income Credit (EIC)**

**Time Required:** 1 hour

## Introduction

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 EIC charts in the Volunteer Resource Guide, and the EIC worksheets to compute the EIC.

## Objectives

- Determine if a taxpayer is eligible for the EIC.
- Calculate the EIC.

## 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

**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**

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

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<tr>
<th>Topic Name</th>
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<tr>
<td>Introduction</td>
<td><strong>Review</strong> lesson objectives.</td>
<td><strong>Visuals:</strong></td>
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<td><strong>Ask</strong> students to define “refundable credit.”</td>
<td><strong>Form 1040</strong></td>
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<td><strong>Emphasize</strong> that the EIC is a valuable credit for low-income families.</td>
<td><strong>Form 13614-C</strong></td>
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<td><strong>Review</strong> list of references.</td>
<td>Pub 4012, Tab I, Earned Income Credit, Tab D, Income,</td>
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<td><strong>State</strong> the presentation time.</td>
<td>and Tab C Dependents</td>
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Earned Income Credit (EIC)

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, Tab I, Earned Income Credit:
  - Earned Income Table
  - Summary of EIC Eligibility Requirements
  - Schedule EIC
- Pub 4012, Tab C, Dependents, Overview of the Rules for Claiming an Exemption for a Dependent
- Pub 596

**Internet:**
- 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 Earned Income Table.

**Visuals:**
- Form 13614-C, Section A, Part III
- Pub 4012, Tab I, Earned Income Credit, and Tab D, Income:
  - Summary of EIC Eligibility Requirements
  - Common EIC Filing Errors
  - Earned Income Table
  - Disallowance of the Earned Income Credit
- Pub 4012, Tab D, Income 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
Remind students that both earned income and adjusted gross income must 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.

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 EIC with a Qualifying Child chart in Pub 4012.

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; enter the dependent information, and check the box if the dependent is not eligible for EIC.

Visual:
Pub 4012, Tab I, Earned Income Credit, and Tab D, Income:
- Summary of EIC Eligibility Requirements
- EIC with a Qualifying Child
- Qualifying Child of More than One Person

Internet:
FAQ: Qualifying Child Rules

TaxSlayer Demo:
Entering Basic Credits

Rules for taxpayers without qualifying children

Review Pub 4012, Summary of EIC Eligibility Requirements; focus on Part C.

Review the EIC without a Qualifying Child chart in Pub 4012.

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, Tab I, Earned Income Credit:
- 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.

### Summary

**Review** the lesson summary with the class.

### Visuals:
- **Form 13614-C**, Section A, Part V
- Pub 4012, Tab C, Dependents
- Pub 4012, Tab I, Earned Income Credit, *Disallowance of the Earned Income Credit*
- **Form 1040**
- Form 1040 Instructions, **EIC Table**
- **Pub 596**
- **Internet:** Tax Topic: *Earned Income Credit*

### References

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<th>Reference</th>
<th>Description</th>
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<tbody>
<tr>
<td>Pub 4491</td>
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</table>
| Form 1040       | *Form 1040*  
|                 | *Form 1040 Instructions*  
|                 | Form 1040 Instructions, **EIC Table**                                      |
| Form 13614-C    | **Form 13614-C**, Intake/Interview & Quality Review Sheet                   |
|                 | 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  
<p>|                 | Form 1099-R                   |</p>
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**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 – Get It Right
[https://www.youtube.com/watch?v=8b94NnptBDEs](https://www.youtube.com/watch?v=8b94NnptBDEs)

**TaxSlayer Tips and Resources for Lesson**
- **TaxSlayer Training Video**: Entering Basic Credits
- **Practice Lab Tutorial**: From the Practice Lab:
  1. Enter the universal password (if you do not have the password, you can request it from your site coordinator or SPEC relationship manager).
  2. Sign in to Practice Lab or create an account.
  3. Select the appropriate tutorial.
### Job Aids

#### ITA and FAQs for Lesson

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### Practice Lab

| Practice Lab | [https://vita.taxslayerpro.com/IRSTraining](https://vita.taxslayerpro.com/IRSTraining) |