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10 Top Facts about the Earned Income Tax Credit EITC

If you earn below \$48,362 a year, you should look at whether you are eligible for the Earned Income Tax Credit or EITC. And claiming for the EITC is not difficult, given that four out of five eligible people who filed for this credit received their claims last year.

Here are the top 10 facts about the EITC you ought to know.

1. Just because you did not qualify for the EITC last year, does not mean you won't this year. As your financial status and parental situation change over the years, you should review your eligibility for the EITC every year.
2. The EITC does not just reduce your tax liability, it also may give you a refund. The amount of EITC you can receive depends on your income and number of qualifying children you have. The average payout for EITC last year was \$2,100. You may receive up to \$5,666 in refunds under the EITC.
3. To receive the EITC, you must specifically claim the credit in your federal income tax return. So you should include Schedule EIC (Earned Income Credit) when you file your Form 1040. Alternatively, if you file Form 1040A, use and retain the EIC worksheet.

4. If you choose to file your taxes separately as a married person, you are not eligible for the EITC.
5. To qualify for the EITC, you must have a Social Security number. If you have children and are filing your taxes jointly with your spouse, then your spouse and qualifying children must also have Social Security numbers issued by the Social Security Administration.
6. To be eligible for the EITC, you must have earned income. This means you work for someone and are paid wages, you are self-employed, you earn income from farming or you receive disability income.
7. If you are single or married but without children, you may yet be eligible provided you fulfill the age and residency conditions and abide by the dependency rules.
8. If you are a member of the US Armed Forces in combat zones, you come under special rules. You can choose to include your non-taxable combat salary as earned income when calculating your EITC. If you do so, your income still remains nontaxable.
9. To know for sure whether you qualify, use the EITC Assistant tool found in the irs website, www.irs.gov. Simply answer the questions and follow the instructions to determine your eligibility and estimate the amount of EITC you can expect.
10. If you do not know how to file or calculate your EITC for yourself, you can get free help from Volunteer Income Tax Assistance sites or IRS Taxpayer Assistance Centers. You can find a list of such sites and centers from www.irs.gov.

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