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Indiana
Community Action
Association

Earned Income Tax Credit (EITC)

EAP Meetings
September 2008

What is the EITC?

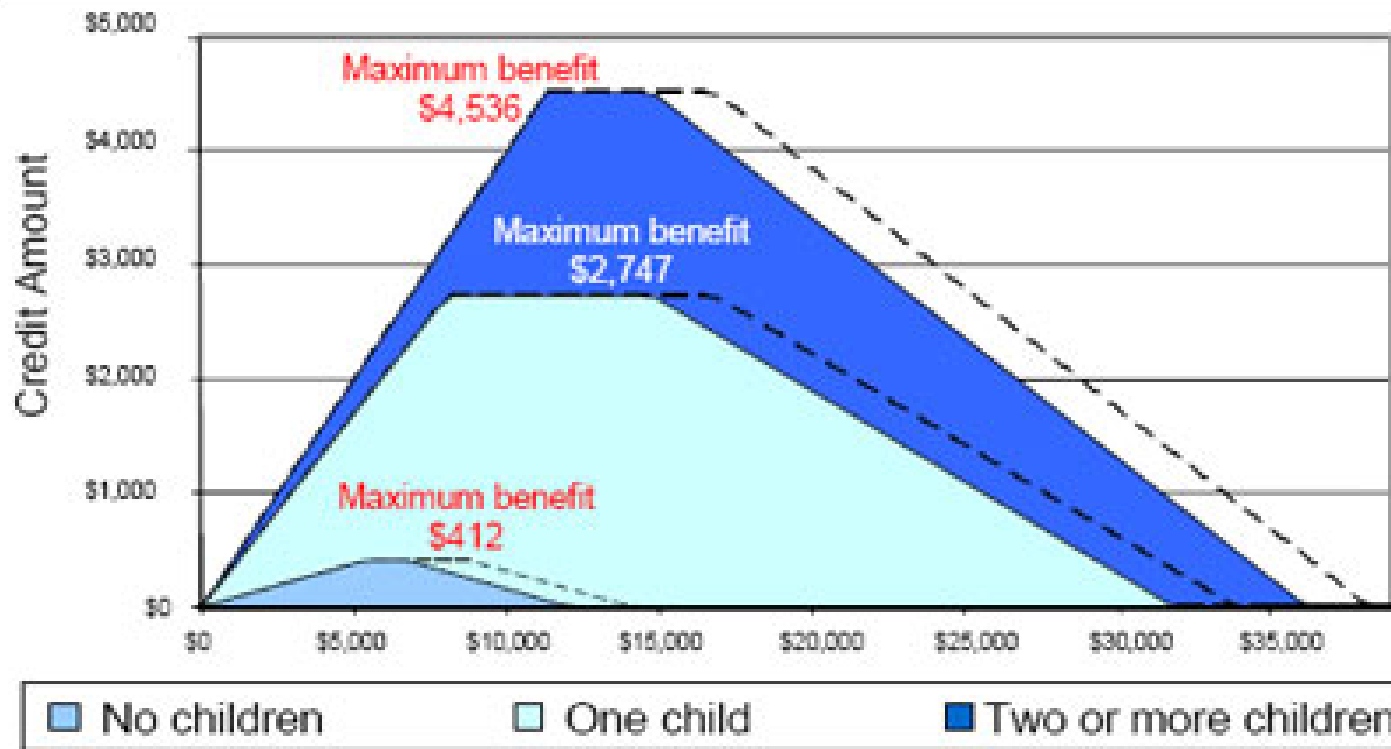
- Federal tax benefit for low- to moderate-income workers
- Reduces the impact of payroll and income taxes
- Supplements the earnings of very low-wage workers
- Often referred to as one of the most successful anti-poverty programs
- Can claim up to three years retroactively

Who Qualifies for the EITC?

- Individuals and families must meet certain general requirements:
 - You must have earned income.
 - You must have a valid Social Security Number for yourself, your spouse (if filing jointly) and your qualifying child.
 - Investment income is limited.
 - Your filing status cannot be “married filing separately.”
 - Generally, you must be a U.S. citizen or resident alien all year.
 - You cannot be a qualifying child of another person.
 - You cannot file Form 2555 or Form 2555-EZ (related to foreign earned income.)

FIGURE 1

The Federal Earned Income Tax Credit in Tax Year 2006



Note: Married couples with income in the phaseout range qualify for a higher credit than single parents — shown by dashed lines.

Important Changes to the EITC for 2007

- Earned income amount is more. The maximum amount of income you can earn and still get the credit has increased. You may be able to take the credit if:
 - You have more than one qualifying child and your earned income was less than \$37,783 (\$39,783 if married filing jointly),
 - You have one qualifying child and your earned income was less than \$33,241 (\$35,241 if married filing jointly), or
 - You do not have a qualifying child and your earned income was less than \$12,590 (\$14,590 if married filing jointly)
 - Your adjusted gross income also must be less than the amount in the above list that applies to you.
- Investment income amount is more.** The maximum amount of investment income you can have and still get the credit has increased to \$2,900.

How Do You Claim the EITC?

- Clients will need to have filed a federal income tax return using a 1040 or 1040 A.
- Clients will have also needed to complete a Schedule EIC.
- If client qualified but did not claim the EITC, client will need to fill out a 1040X form to amend their individual income tax return and then fill out the EIC schedule for the year they did not claim the credit.

Federal 1040 Form

Payments

If you have a qualifying child, attach Schedule EIC.

64	Federal income tax withheld from Forms W-2 and 1099 . . .	64			
65	2007 estimated tax payments and amount applied from 2006 return	65			
66a	Earned income credit (EIC)	66a			
b	Nontaxable combat pay election ▶ 66b				
67	Excess social security and tier 1 RRTA tax withheld (see page 59)	67			
68	Additional child tax credit. Attach Form 8812	68			
69	Amount paid with request for extension to file (see page 59)	69			
70	Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885 .	70			
71	Refundable credit for prior year minimum tax from Form 8801, line 27	71			
72	Add lines 64, 65, 66a, and 67 through 71. These are your total payments ▶	72			

Refund

73	If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you overpaid	73			
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Advance EITC Payments

- Clients can also decide to receive some of their EITC benefits in advance by filling out a W-5 form. The amount you can get in advance generally depends on your wages.
- However, the employer cannot give you more than \$1,750 in advance.

Indiana State EITC

- Indiana also has a state EITC.
- It is based on 6% of the federal EITC.
- It will increase to 9% of the federal credit in tax year 2009.
- It is also be claimed up to three years retroactively

To Claim the State EITC

- Client will need to fill out an Indiana Income Tax Form IT-40.
- Additionally clients will need to fill out a IN-EIC schedule.

Don't forget stimulus checks!

- Don't forget to also screen for the economic stimulus checks! Many still have not claimed their stimulus check! 5 million to date!
- Worth \$300 for individuals and \$600 for married couples
- Have until October 15, 2008 to file.
- To claim individuals must file a 2007 tax return.

EITC Outreach Kit

➤ <http://www.cbpp.org/eic2008/>

Money Talks!



Have you heard?

Welcome to the Center on Budget and Policy Priorities' National Tax Credit Outreach Campaign Website!

Economic Stimulus Payments (ESPs) – Outreach Needed Now!

Now that the traditional tax filing season has ended, it is time to celebrate the hard work and accomplishments of community Outreach Campaigns and free tax filing programs. As IRS data will soon show, millions of families and individuals will receive the Earned Income Tax Credit and Child Tax Credit this year — and many will owe their income boost to the success of state and local initiatives. This year, however, there is an important reason to keep outreach going: As a result of legislation recently passed by Congress, some 20 million low-income seniors, veterans and people with disabilities are eligible for an Economic Stimulus Payment (ESP) worth \$300 (\$600 for married couples) and must file an IRS Form 1040A to get it. But, since most are not otherwise required to file, they are at risk of missing out.

Tax Rebate Outreach Materials

It's not too late! Eligible people have until **October 15, 2008** to file for the Economic Stimulus Payment.

[LEARN MORE »](#)



[Click here for ESP Background, Outreach Materials and Activity Ideas](#)

The Tax Credit Outreach Kit for 2008 is now available for order at eickit@cbpp.org. The updated outreach tools, such as the poster and flyer for 2008, are now posted below. The 2008 Kit has been streamlined and our plan is to post additional materials to this website as they are finalized. In the meantime, we are keeping the [2007 Kit](#) available to you for any additional materials you may need.

About the Campaign

For nearly 20 years, the Campaign, which includes community organizations, employers, social service programs and government agencies, has promoted the Earned Income Credit (EIC), the Child Tax Credit (CTC) and free tax filing assistance for low- and moderate-income workers. Each year millions of eligible workers risk missing out on these important federal tax benefits because they do not know they qualify, do not know how to claim the credits or do not know where to find free tax filing assistance. Your outreach efforts can ensure that eligible

The EIC Estimator

Knowing how much you can expect from the EIC can be a great motivator. Imagine learning that you are eligible to get a refund of several thousand dollars! That's enough to convince anyone of the value of filing a tax return to claim the EIC. The 2007 Earned Income Tax Credit Estimator gives you a quick way to figure how much the EIC might be worth to an

Outreach Strategies

You don't have to be a tax expert to help working families learn about and claim the Earned Income Credit and the Child Tax Credit! Community organizations, social services providers, government agencies, faith-based groups, schools, labor unions, employers, advocacy groups and others all can play a vital role in bringing these tax benefits within reach of working families and individuals.

Outreach Tools

- Posters, flyers, envelope stuffers in English and Spanish
- Flyers in 19 languages, including: Arabic, Amharic, Bosnian, Cambodian, Chinese, Farsi, French, Haitian-Creole, Hmong, Italian, Korean, Lao, Polish, Portuguese, Russian, Somali, Tagalog, Ukranian, and Vietnamese
- "10 Ways Flyers" : Ideas for how partners can promote the tax credits: 10 Ways for Businesses; Early childhood Programs; Colleges and Universities; Job Training programs; Housing Groups
- More on Getting Media Coverage for Your Campaign
- IRS Territory Manager List

Links to IRS Tax Forms and Information

- Guide to Key IRS Forms and Instructions on the EIC and CTC
- How to Help a Worker Who Filed a Tax Return But Didn't Claim the EIC or CTC
- Individual Taxpayer Identification Numbers

More Outreach Strategies and Examples

- Women's Groups

Running a Campaign? What You Need to Know

In this booklet, you will find what you need to know to develop an effective Outreach Campaign. You'll get basic facts about the credits and free tax filing assistance. You'll also explore the key elements of a successful campaign and find contact information for IRS staff in your area who can provide worthwhile assistance.

Assistance for Individual Taxpayers

- What do I need to know about the Earned Income Credit (EIC) and Child Tax Credit (CTC)?
- EITC Assistant
This tool can help tax filers determine eligibility for the Earned Income Credit, filing status and if any children can be claimed as a "qualifying children" for the tax credit. This tool can also help tax filers estimate the refund amount of an expected credit.
- Why Pay When You Can Get Your Taxes Done for Free?
- What are Volunteer Income Tax Assistance (VITA) sites and how can I find one?
- Free Tax Filing Assistance through AARP
Search by zip code for an AARP Tax-Aide site near you.

Questions and Answers About the EITC

- Tax Credits and Public Benefits
- How to Claim Credits for Back Years
- Social Security Number Requirements
- EIC and CTC: Eligibility Rules for Immigrant Workers
- Non-Traditional Families
- College Financial Aid
- Military Personnel

More Facts About Tax Credits

- Child and Dependent Care Credit

Free Tax Preparers Resources

- IRS tax preparer web site
- <http://www.eitcfortaxpreparers.com/>

For More Information

➤ Please contact:

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