



QUESTIONS AND ANSWERS ABOUT THE EARNED INCOME TAX CREDIT TAX YEAR 2007

The federal **Earned Income Tax Credit** is designed to boost the wages of working families. The following questions and answers will help you feel more comfortable spreading the word about the federal **Earned Income Tax Credit**. But you should not try to answer specific questions about any individual's or family's taxes!

1. *What is the federal Earned Income Credit?*

The federal **Earned Income Tax Credit (EITC)** provides up to \$4,716 in tax assistance to working families with qualifying children and incomes of less than \$39,783. Low-income individuals and couples without qualifying children may also claim the **EITC**.

2. *How much can a family earn and be eligible for the Earned Income Tax Credit?*

If a family's earnings in 2007 fall within certain limits, it may be eligible for an **EITC** of:

- Up to \$4,716 if there are two or more qualifying children and the family's 2007 earned income and adjusted gross income is \$37,783 or less (if the tax filer is single), or \$39,783 or less (together with the tax filer's spouse's earned income and adjusted gross income, if he or she is married).
- Up to \$2,853 if there is one qualifying child and the family's 2007 earned income and adjusted gross income is \$33,241 or less (if the tax filer is single), or \$35,241 or less (together with the tax filer's spouse's earned income and adjusted gross income, if he or she is married).
- Up to \$428 if a family has no qualifying children and the family's 2007 earned income and adjusted gross income is \$12,590 or less (if the tax filer is single), or \$14,590 or less (together with the tax filer's spouse's earned income and adjusted gross income, if he or she is married).

"Earned income" includes wages, salaries, and tips; net earnings from self-employment; and scholarships and fellowships. It does not include bank interest, Social Security or welfare benefits, alimony, or unemployment compensation. (Special rules for determining earned income apply to persons with 2007 nontaxable combat pay).

"Adjusted gross income" is the amount a tax filer enters on line 38 of Form 1040, line 22 of Form 1040A, or line 4 of Form 1040EZ. In general, adjusted gross income is gross income, minus certain allowable deductions. It includes wages, salaries, and tips; net income from self-employment; unemployment compensation; alimony and taxable interest received. It does not include child support payments received or student loan interest and alimony paid.

A family may not claim the **EITC** if it has investment income for 2007 of more than \$2,900 (special rules apply if the family sold business property and files Form 4797).

3. *What other eligibility requirements does a family have to meet to claim the EITC?*

To claim the **EITC**, whether or not a family has a qualifying child, a tax filer (and his or her spouse, if married) must not be the qualifying child of another person in 2007. The tax filer must be a U.S. citizen or resident alien during all of 2007, unless he or she is married to a U.S. citizen or resident alien and chooses to be treated as a resident for all of 2007 when the tax filer files a joint return.

There are additional eligibility requirements for the **EITC** if a family does not have a qualifying child. The tax filer (or his or her spouse, if married) must be at least age 25, but under age 65, on December 31, 2007. The tax filer (and his or her spouse if married) must not be the dependent of another person in 2007. The tax filer (and his or her spouse if married) must have lived in the United States for more than six months in 2007.

4. *When is a child a qualifying child who can be claimed for the Earned Income Tax Credit?*

A qualifying child for the **EITC** is an individual who:

- Is the tax filer’s child, stepchild, adopted child (or child lawfully placed with the tax filer for legal adoption), foster child (placed with the tax filer by an authorized placement agency or court action), sibling, half-sibling, step-sibling, or a descendant of any of these individuals (e.g., grandchild, niece). There are special rules for married children; *and*
- Was under age 19, or under age 24 and a full-time student, on December 31, 2007, or any age and permanently and totally disabled; *and*
- Lived with the tax filer in his or her main home in the United States for more than six months in 2007. There are special rules for children who were born or died during 2007, were temporarily absent, or were kidnapped.

5. *What if a family’s qualifying child is also the qualifying child of another person?*

If the other person is the tax filer’s spouse with whom he or she is filing a joint return, the answer is simple: the tax filer and his or her spouse claim the child together on their joint return. But there are other situations in which a child might be the qualifying child of more than one person.

If more than one person files a tax return for 2007 claiming the child as a qualifying child, the Internal Revenue Service will apply the following rules to decide who can claim the child:

If more than one tax filer claims the same child and...	Then the child will be treated as the qualifying child of the...
Only one is the child’s parent,	parent.
Two are parents and they do not file a joint return,	parent who lived with the child for the longer period of time in 2007.
Two are parents, they do not file a joint return, and the child lived with each parent the same amount of time in 2007,	parent with the higher adjusted gross income in 2007.
None is the child’s parent,	person with the highest adjusted gross income in 2007.

However, if more than one person could claim the child as a qualifying child, these people can decide together who will claim the child as a “qualifying child” for tax purposes in 2007. That person will be able to claim the **EITC** and other tax benefits for that “qualifying child” (including the **Child Tax Credit**, **Child and Dependent Care Tax Credit**, dependent exemption, and head of household filing status) if the other eligibility requirements for those tax benefits are met. Whoever the family members decide can claim the child as a “qualifying child” will be entitled to *all* of these tax benefits for that child; they cannot decide to split them up for that child, unless the special rules for divorced and separated parents apply (see question 6).

6. *The tax filer has custody of his or her child, but is releasing his or her claim to the dependency exemption for 2007 to the noncustodial parent. Can the tax filer claim the Earned Income Tax Credit?*

Yes. If the tax filer lived with the child for more than six months in 2007 and for a longer period of time than the other parent (and meets the other requirements for the **EITC**), the tax filer may claim the child as a qualifying child for the **EITC** even though he or she signed Form 8332 or a similar statement agreeing not to claim the child as a dependent for 2007.

7. *How much can a family get from the Earned Income Tax Credit?*

The tables at the end of this document give some examples of how much the **EITC** could be worth to a family. Use Table 1 if the tax filer is single. Use Table 2 if the tax filer is married.

8. *How does a family claim the Earned Income Tax Credit?*

Even if a family doesn’t owe any taxes, the family must file a tax return to claim the credit. If the family has qualifying children, it must file either Form 1040 or 1040A (not 1040EZ) and a separate form, Schedule **EITC**. If the family has no qualifying children, it may file either Form 1040, 1040A or 1040EZ, and does

not have to file Schedule **EITC**. The “filing status” of the tax filer may be any status except married filing a separate return. If a family can provide the basic information discussed above to show its eligibility, IRS will calculate the family’s **EITC** if the tax filer writes “**EITC**” next to line 66a on Form 1040, or line 40a on Form 1040A, or line 8a on Form 1040EZ (for families with no qualifying children only).

To claim the **EITC**, the tax filer will need to provide a Social Security Number (SSN) for him or herself, his or her spouse if married, and any qualifying child. The tax filer must have the SSNs before filing the family’s tax return. It can take some time to receive an SSN, so the tax filer should apply well in advance. To apply for an SSN, the tax filer should complete Form SS-5 from the Social Security Administration, available at www.ssa.gov/online/ss-5.html.

9. *Can a family claim the Earned Income Tax Credit if it also claims the Child Tax Credit and the Credit for Child and Dependent Care Expenses?*

Yes. If a family is eligible for these credits, it can claim benefits under all three provisions and decrease its taxes or increase its refund.

10. *Can a family still claim the Earned Income Tax Credit if it owes no taxes?*

Yes. Even if a family doesn’t owe any federal income taxes, it may get a refund check if it files Form 1040 or 1040A and Schedule **EITC** if the family has qualifying children, or Form 1040, 1040A or 1040EZ if it does not have qualifying children.

11. *If a family receives Temporary Assistance for Needy Families benefits, can it claim the Earned Income Tax Credit? Will its Temporary Assistance for Needy Families benefits or other government benefits be affected if the family receives an Earned Income Tax Credit refund?*

If a family has earned income, it may claim the **EITC**, even if it also receives Temporary Assistance for Needy Families. Only the amount of the family’s earned income counts in determining if it is eligible for the **EITC**.

If a family receives an **EITC** refund, the amount of that refund will not be counted in determining eligibility for and the amount of benefits under Food Stamps, Supplemental Security Income, Medicaid, and low-income housing programs, as long as the family spends the refund amount in the month it is received or in the following month. Each state is permitted to develop its own rules concerning whether **EITC** refunds will be counted toward an individual’s income for the purpose of determining eligibility for and the amount of Temporary Assistance for Needy Family benefits.

12. *How can a family get the Earned Income Tax Credit before filing a tax return at the end of the year?*

If a family has a qualifying child, and expect that the adjusted gross income and earned income of the tax filer in 2008 will each be less than \$33,995 (or \$36,995 together with the tax filer’s spouse’s income, if he or she is married), the tax filer can have a portion of the **EITC** included in his or her paycheck during the year. The tax filer should complete IRS Form W-5 and give it to his or her employer. The tax filer will be able to receive no more than 60% of the **EITC** amount for which the family would qualify if it had only one qualifying child, regardless of how many qualifying children the family actually has. Special rules apply if the tax filer is married and both he or she and his or her spouse elect to receive the **EITC** in advance from their employers.

Tax filers can give Form W-5 to their employers at any time during the year, but should do so as early in the year as possible to begin receiving benefits. If a tax filer receives advance **EITC** benefits, he or she must file a tax return at the end of the year, in order to receive the remainder of the **EITC** amount due his or her family. Remember also, if a tax filer elects to file Form W-5 and take the **EITC** through advance payments in 2008, the amount of any tax refund the family could be eligible for at the end of the year will be lower.

For More Information

Information about other tax benefits available to families with children is available on the National Women's Law Center's website at www.nwlc.org/loweryourtaxes. Further information is also available from the Internal Revenue Service on its website, www.irs.gov, by calling 1-800-TAX-1040 toll free or by contacting your local Volunteer Income Tax Assistance (VITA) clinic for free assistance.

TABLE 1			
Earned Income Credit Amounts, Tax Year 2007 SINGLE			
Earned Income/ Adjusted Gross Income*	One qualifying child	Two or more qualifying children	No qualifying children
\$0	\$0	\$0	\$0
\$2,000	\$680	\$800	\$153
\$4,000	\$1,360	\$1,600	\$306
\$6,000	\$2,040	\$2,400	\$428
\$8,000	\$2,720	\$3,200	\$352
\$10,000	\$2,853	\$4,000	\$199
\$12,000	\$2,853	\$4,716	\$46
\$14,000	\$2,853	\$4,716	\$0
\$16,000	\$2,756	\$4,588	\$0
\$18,000	\$2,436	\$4,166	\$0
\$20,000	\$2,116	\$3,745	\$0
\$22,000	\$1,797	\$3,324	\$0
\$24,000	\$1,477	\$2,903	\$0
\$26,000	\$1,158	\$2,482	\$0
\$28,000	\$838	\$2,060	\$0
\$30,000	\$518	\$1,639	\$0
\$32,000	\$199	\$1,218	\$0
\$34,000+	\$0	\$0	\$0

*Use earned income if the family has one or more qualifying children and the family's adjusted gross income is less than \$15,390 or if the family has no qualifying child and the family's adjusted gross income is less than \$7,000.

TABLE 2			
Earned Income Tax Credit Amounts, Tax Year 2007 MARRIED			
Earned Income/Adjusted Gross Income*	One qualifying child	Two or more qualifying children	No qualifying children
\$0	\$0	\$0	\$0
\$2,000	\$680	\$800	\$153
\$4,000	\$1,360	\$1,600	\$306
\$6,000	\$2,040	\$2,400	\$428
\$8,000	\$2,720	\$3,200	\$428
\$10,000	\$2,853	\$4,000	\$352
\$12,000	\$2,853	\$4,716	\$199
\$14,000	\$2,853	\$4,716	\$46
\$16,000	\$2,853	\$4,716	\$0
\$18,000	\$2,756	\$4,588	\$0
\$20,000	\$2,436	\$4,166	\$0
\$22,000	\$2,116	\$3,745	\$0
\$24,000	\$1,797	\$3,324	\$0
\$26,000	\$1,477	\$2,903	\$0
\$28,000	\$1,158	\$2,482	\$0
\$30,000	\$838	\$2,060	\$0
\$32,000	\$518	\$1,639	\$0
\$34,000	\$199	\$1,218	\$0
\$36,000	\$0	\$797	\$0
\$38,000	\$0	\$376	\$0
\$40,000+	\$0	\$0	\$0

*Use earned income if the family has one or more qualifying children and the tax filer's adjusted gross income (together with his or her spouse's adjusted gross income) is less than \$17,390 or if the family has no qualifying child and the tax filer's adjusted gross income (together with his or her spouse's adjusted gross income) is less than \$9,000.