

Are You Receiving the Earned Income Tax Credit?

WHAT IS THE EARNED INCOME TAX CREDIT?

The Earned Income Tax Credit (EITC) is a special tax credit for low-income families that can reduce the amount of tax you owe and/or increase your tax refund. You must have worked during the tax year to claim the credit.

WHO CAN CLAIM THE EITC?

If you have NO qualifying children AND you have earned income, you are eligible to claim the EITC **IF**:

1. You made less than \$11,750 (or \$13,750 if married filing jointly) during tax year 2005; **AND**
2. You were between the ages of 25 and 65; **AND**
3. You lived in the United States for *more than* ½ of the tax year; **AND**
4. You cannot be claimed as someone else's dependent; **AND**
5. You cannot be the qualifying child of another person.

If you meet these requirements, you are eligible for the credit without qualifying children.

If you made more than \$11,750 (or \$13,750 if married & filing a joint return) during tax year 2005, you must have qualifying children to be eligible for the credit. To be a qualifying child, the child must meet certain age, relationship and residency tests.

WHO IS A QUALIFYING CHILD?

A qualifying child must be one of the following relationships to you:

- Son, daughter, stepson, stepdaughter, grandchild, or descendant of any of them (for example, your grandchild); **OR**

- Brother, sister, stepbrother, stepsister, half-brother, half-sister, or a descendant of any of them (for example, your niece or nephew); **OR**
- An eligible foster child (if the child is placed in your home by an authorized placement agency, such as any Virginia Juvenile and Domestic Relations Court).

Your qualifying child must also meet an AGE test:

- Your qualifying child must be under the age of 19 at the end of the year, **OR**
- A full-time student under the age of 24 at the end of the year, **OR**
- Permanently and totally disabled at any time during the year, regardless of age

Finally, your qualifying child must also meet a RESIDENCY test:

- Your qualifying child must live with you for **MORE** than ½ of the year

WHAT ELSE DO I NEED TO KNOW?

- You must provide the qualifying child's name, age and Social Security Number on your tax return.
- You cannot claim the EITC if you have an Individual Taxpayer Identification Number (or "ITIN"). You, your spouse (if married) **AND** your qualifying child **ALL must** have valid Social Security Numbers.
- You may not claim the EITC if your Social Security Number is not valid for employment. Remember, you must be **working** to claim the credit!
- You may not claim the EITC for children who do not live with you for more than half of the year.
- Your qualifying child **CANNOT** be used by more than one person to claim the EITC

Note: Beginning in 2005, there are new rules for claiming the dependency exemption and head of household filing status. For more information, please see IRS Publication 501 or talk to your tax advisor.

WHAT IF THE IRS DISALLOWED MY EITC LAST YEAR?

- If the IRS disallowed your EITC last year and you are now eligible to claim it, you must attach IRS Form 8862 on the next tax return you file to claim the EITC after the IRS denied it.
- For example, the IRS denied you the EITC for 2004. You want to claim the EITC on your 2005 return.
- You must attach IRS Form 8862 to your 2005 federal income tax return to claim the EITC.
- If you are required to attach Form 8862 to your return and you do not, the IRS will deny your EITC.
- When you attach Form 8862 to your return, the IRS may ask you for information that shows your qualifying child lived in your home for more than half of the tax year.

WHAT IF MORE THAN ONE PERSON CLAIMS EITC USING THE SAME CHILD?

- If one of the persons claiming the child is the parent, then only the parent can claim the child as a qualifying child.
- If two of the persons claiming the child are parents of the child and they are not filing a joint return, then only the parent with whom the child lived the longest can treat the child as a qualifying child.
- If two of the persons claiming the child are parents of that child and the child lived with each parent the same amount of time during the year and the parents do not file a joint return, then only the parent with the highest adjusted gross income (AGI) can treat the child as a qualifying child.
- If none of the persons are the child's parent, then only the person with the highest AGI can treat the child as a qualifying child.

HOW MUCH WILL MY EITC REFUND BE IN 2005?

- If you have no qualifying children, the maximum you can receive is \$399.
- If you have 1 qualifying child, the maximum EITC you can receive is \$2,662.
- If you have 2 qualifying children, the maximum EITC you can receive is \$4,400.