

Sy Accountancy Corporation

Member, American Institute of CPAs
704 Mira Monte Place, Pasadena, California 91101
Tel (626) 744-0200 ▪ Fax (626) 744-0300 ▪ vsy@victorsycpa.com

DO YOU QUALIFY FOR EARNED INCOME CREDIT?

By Victor Sy, CPA

Here are the top 10 things the Internal Revenue Service wants you to know about this valuable credit:

1. If you qualify, it could be worth up to **\$5,751** this year. EITC not only **reduces the federal tax you owe**, but **could result in a refund**.
2. The amount of your EITC is based on the amount of your earned income and whether or not there are qualifying children in your household. New EITC provisions mean more money for larger families.
3. If you qualify, you must file a federal income tax return and specifically claim the credit in order to get it – **even if you are not otherwise required to file**.
4. Your filing status **cannot be Married Filing Separately**.
5. You must have a **valid Social Security Number**. You, your spouse – if filing a joint return – and any qualifying child listed on Schedule EIC must have a valid SSN issued by the Social Security Administration.
6. You **must have earned income**. You have earned income if you work for someone who pays you wages, you are self-employed, you have income from farming, or – in some cases – you receive disability income.
7. Married couples and single people **without kids may qualify**. If you do not have qualifying children, you must also meet the age and residency requirements as well as dependency rules.
8. Special rules apply to members of the **U.S. Armed Forces** in combat zones. Members of the military can elect to include their nontaxable combat pay in earned income for the EITC. If you make this election, the combat pay remains nontaxable.
9. Just because you didn't qualify last year, doesn't mean you won't this year. As your financial, marital or parental situations change from year-to-year, **you may qualify this year**.
10. Free help is available at volunteer assistance sites and **IRS Taxpayer Assistance Centers** to help you prepare and claim your EITC. If you are preparing your taxes electronically, the software program you use will figure the credit for you. If you qualify for the credit you may also be eligible for Free File. You can access Free File at IRS.gov.

DEVELOPMENT 1: The Chief Counsel of the IRS advised that if you are eligible for the earned income credit but do not have a social security number (and therefore cannot claim the credit), you may **amend your tax return later when you receive a social security number to claim the credit. Nice.**

DEVELOPMENT 2: Of the total number of individual tax returns audited by the IRS in 2005, 43% were selected on the basis of an earned income credit claim.