

EITC (Earned Income Tax Credit)

Eligibility Rules Outlined

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The Earned Income Tax Credit (EITC) is a tax credit for people who work but do not earn high incomes. The EITC is a valuable tool helping eligible taxpayers to lower their taxes or to claim a refund. The IRS wants all eligible taxpayers to claim this credit.

Many taxpayers who qualify for EITC may also be eligible for free tax preparation and electronic filing by participating tax professionals and volunteers. Taxpayers and tax professionals should review the rules before attempting to claim the EITC.

Do You Qualify for EITC?

To qualify, you must meet certain requirements and file a U.S. Individual Income Tax Return. As described below, some EITC rules apply to everyone. There are also special rules for people who have children and for those who do not.

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 married filing jointly) and your qualifying child.
- Investment income is limited to \$2,950.
- 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).

Your income cannot exceed certain limitations. For Tax Year 2008, you must have adjusted gross income of less than:

- \$38,646 (\$41,646 if married filing jointly) with two or more qualifying children.
- \$33,995 (\$36,995 if married filing jointly) with one qualifying child.
- \$12,880 (\$15,880 if married filing jointly) with no qualifying children.

If you claim a child, he or she must meet three eligibility tests:

- Residency Test — The child must have lived with you in the United States for more than half of 2008.

- Relationship Test — The child must be your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them. Your child includes:
 - A foster child who was placed with you by an authorized placement agency, or by judgment, decree, or other order of any court of competent jurisdiction
 - A legally adopted child or a child lawfully placed with you for legal adoption
- Age test — At the end of 2008, the child must have been under age 19, a full-time student under age 24 or any age if permanently and totally disabled at anytime during 2008.

Your qualifying child cannot be used by more than one person to claim EITC. If a child meets the rules to be a qualifying child of more than one person, only one person can treat that child as a qualifying child and claim EITC.

If you don't have a child, you must meet three additional tests:

- At the end of 2008, you must have been at least age 25, but under age 65.
- You cannot qualify as the dependent of another person.
- You must have lived in the United States for more than half of 2008.

Credit Limits for 2008 Tax Year

Income and family size determine the amount of the EITC. The Earned Income Credit Table, which shows the credit amounts, is included in the Instruction booklet for Form 1040 and in Publication 596, Earned Income Credit.

For tax year 2008, the maximum credit amounts are:

- Two or more children — \$4,824
- One child — \$2,917
- No children — \$438