

## 2011 TAX YEAR FAST FACTS: Earned Income Tax Credit

- EITC is a financial boost for working people in a recovering economy. Anyone with earnings under \$49,078 should see if they qualify at [www.irs.gov/eitc](http://www.irs.gov/eitc), or by visiting a volunteer tax assistance site or local IRS Taxpayer Assistance Center.
- Four of five eligible people claim and get their EITC. We want to raise that number to five out of five. They earned it, but must file and claim it to get it...meaning awareness is critical.
- Millions of workers will qualify for EITC for the first time this year. The population of eligible workers is very fluid. Workers move into and out of eligibility based on changes in their marital, parental and financial status. Approximately one-third of the EITC eligible population turns over every year.
- The amount of the credit is based on several factors, including the amount of an individual's earnings from wages, self-employment or farming. Except in the case of some disability retirement income, people who do not work and do not have earnings generally do not qualify for the credit.
- EITC is for workers whose income does not exceed the following limits:
  - \$43,998 (\$49,078 married filing jointly) with three or more qualifying children
  - \$40,964 (\$46,044 married filing jointly) with two qualifying children
  - \$36,052 (\$41,132 married filing jointly) with one qualifying child
  - \$13,660 (\$18,740 married filing jointly) with no qualifying children
- Investment income must be \$3,150 or less. Children must meet certain relationship and residency requirements to be considered "qualifying."
- EITC can make life a little easier. The maximum credit is:
  - \$5,751 with three or more qualifying children
  - \$5,112 with two qualifying children
  - \$3,094 with one qualifying child
  - \$464 with no qualifying children
- Workers who qualify for EITC must file federal income tax returns—even if their income is below the filing requirement—and specifically claim the credit to get it.
- EITC is one of the nation's largest anti-poverty programs, annually lifting 6.6 million people out of poverty; half of these are children. Last year, over 26 million workers received nearly \$59 billion in EITC. The average credit was \$2,100, but can be as much as \$5,751 depending on the worker's income, marital status and whether they have children. More than 60 percent of all tax returns claiming EITC are filed during February.

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- Workers at risk for overlooking this important credit include those:
  - Whose earnings declined or whose marital or parental status changed
  - With limited English skills
  - Living in rural areas
  - Who are Native Americans
  - Who have disabilities or are raising children with disabilities
  - Without children
  - With earnings below the filing requirement
  - Living in non-traditional homes, such as a grandparent raising a grandchild
- Created in 1975, EITC helps offset the impact of Social Security taxes and provides an incentive for work. It is the federal government's largest benefit program for workers.
- Workers who qualify for EITC also may be eligible for a similar credit on their state or local income tax returns. More than twenty states, the District of Columbia, New York City and Montgomery County, Maryland, offer residents an earned income tax credit.
- The IRS works with national partners, community-based coalitions and thousands of local partners and governments. These partnerships provide free tax help and education about EITC.
- There's lots of free assistance to help workers determine their eligibility and file and claim their EITC:
  - The EITC Assistant at [www.irs.gov](http://www.irs.gov) will help workers determine their eligibility.
  - Volunteer tax assistance sites at more than 1,200 community locations provide free tax return preparation to people with incomes of \$50,000 a year or less.
  - Free File, available at [www.IRS.gov](http://www.IRS.gov), lets individuals electronically file their returns and claim their EITC using brand name software products.
- Workers who pay someone to prepare their returns should use only reputable, knowledgeable preparers since taxpayers are responsible for the accuracy of their returns. Anyone paid to prepare a tax return is required to sign it and enter their Preparer Tax Identification Number. See [www.irs.gov](http://www.irs.gov) for details.
- If in doubt about their eligibility, workers should check it out at [www.irs/eitc.gov](http://www.irs/eitc.gov). Taxpayers who erroneously claim EITC could have their refunds denied.

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