

Are You Missing Out On The Earned Income Tax Credit?

Article Highlights:

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The EITC is for people who work but have lower incomes. If you qualify, it could be worth up to \$6,242 in 2015. So you could pay less federal tax or even get a refund. The credit is a refundable credit, so you can receive the benefits of the credit even if you do not owe any taxes. That's money you can use to make a difference in your life.

Even though this credit can be worth thousands of dollars to a low-income family, the IRS estimates as many as 25 percent of people who qualify for the credit do not claim it simply because they don't understand the criteria.

If you qualify for but failed to claim the credit on your return for 2012, 2013 and/or 2014, you can still claim it for those years by filing an amended return or an original return if you have not previously filed.

The EITC is based on the amount of your earned income and whether there are qualifying children in your household. If you have children, they must meet relationship, age and residency requirements. Additionally, you must file a tax return to claim the credit. The EITC income qualifications are annually inflation adjusted. The qualifications shown below are for 2015. Please call for those that apply for prior years.

If you were employed for at least part of 2015, you may be eligible for the EITC based on these general requirements:

- You earned less than \$14,820 (\$20,330 if married filing jointly) and did not have any qualifying children.
- You earned less than \$39,131 (\$44,651 if married filing jointly) and have one qualifying child.
- You earned less than \$44,454 (\$49,974 if married filing jointly) and have two qualifying children.
- You earned less than \$47,747 (\$53,267 if married filing jointly) and have more than two qualifying children.

In addition you must meet a few basic rules:

- You must have a valid Social Security Number.
- You must have earned income from employment or from self-employment.
- Your filing status cannot be married, filing separately.
- You must have been a U.S. citizen or resident alien all year, or a nonresident alien married to a U.S. citizen or resident alien and filing a joint return.
- You cannot be a qualifying child of another person.
- Your investment income for the year cannot exceed \$3,400 (call for other years).
- If you do not have a qualifying child, you must:
 - Be age 25 but under 65 at the end of the year,
 - Live in the United States for more than half the year, and
 - Not be a qualifying child of another person.
- You cannot file Form 2555 or 2555-EZ (excluding foreign earned income)

Members of the military can elect to include their nontaxable combat pay in earned income for the earned income credit. If that election is made, the military member must include in earned income all nontaxable combat pay received. If spouses are filing a joint return and both spouses received nontaxable combat pay, then each one can make a separate election.

If you have questions about your qualifications for this credit or need help amending or filing a prior year return to claim the credit, please give this office a call.