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Top Five Answers to Earned Income Tax Credit Questions

One of the most beneficial tax credits you can obtain is the Earned Income Tax Credit. This is why the IRS has taken steps to educate the taxpaying public about this important benefit that can put up to \$5,666 into your pocket. If you have questions about the Earned Income Tax Credit, you will most likely find the answers here:

1. What is the Earned Income Tax Credit?

The Earned Income Tax Credit is the tax credit for taxpayers who do not earn high incomes. It enables you to earn a refund or lower your taxes.

Nationwide last year, over 26 million eligible taxpayers received nearly \$59 billion total in Earned Income Tax Credit. The government through the American Recovery and Reinvestment Act 2009 (ARRA) has allowed families with three or more children to claim the Earned Income Tax Credit and increased its maximum benefit for tax years 2009 and 2010. In addition, the Tax Relief and Job Creation Act of 2010 extended these changes through 2012. You may qualify for the Earned Income Tax credit even if you do not earn enough to be obligated to file a tax return. But you must file a tax return and apply for the Credit as it is not given automatically.

2. Who is the Earned Income Tax Credit for?

The Earned Income Tax Credit is generally for those who are in the low to moderate income groups. Depending on your filing status, income level and family size the amount of credit varies. This year, the income levels have been lowered to include more people. If you are married with three or more children, you can still qualify for the credit even if you make just over \$48,000. And even if you have never qualified before, you may qualify this year.

3. Who is eligible to claim for the Earned Income Tax Credit?

If you meet the requirements below, you should apply for the Earned Income Tax Credit:

- You are working in a job and have earned income.
- You have a valid Social Security number for yourself, your spouse (if married and filing jointly) and your qualifying child or children.
- Your investment income is not more than \$3,100.
- Your filing status cannot be “married filing separately”.
- Generally, you have been a US citizen or resident alien all year.
- You are not a qualifying child of another person.
- You cannot file Form 2555 or Form 2555-EZ (related to foreign earned income).

4. What is the credit limit under the Earned Income Tax Credit?

For 2010, the credit limits are:

- With three or more qualifying children, it is \$5,666.
- With two qualifying children, it is \$5,036. With one qualifying child, it is \$3,050.
- If you have no qualifying children, it is \$457.

The credit amounts are shown in the Earned Income Credit Table found in the instruction booklet for Form 1040 and in Publication 596 Earned Income Credit.

5. What about combat zone pay, more details about claiming children and other matters related to the credit?

Use the Earned Income Tax Credit Assistant available at the IRS website www.irs.gov.