

# FAMILY TAX CREDITS



## Questions & Answers about the Earned Income Tax Credit, Tax Year 2014

The federal **Earned Income Tax Credit** is designed to boost the wages of working families. The following questions and answers will help you feel more comfortable spreading the word about the federal **Earned Income Tax Credit**. But you should not try to answer specific questions about any individual's or family's taxes!

### 1. What is the federal Earned Income Tax Credit?

The federal **Earned Income Tax Credit (EITC)** provides up to \$6,143 in tax assistance to working families with qualifying children and incomes of less than \$52,427. Low-income individuals and couples without qualifying children may also claim the **EITC**.

### 2. How much can a family earn and be eligible for the Earned Income Tax Credit?

Tax filers' 2014 earned income and adjusted gross income (AGI) cannot exceed certain limits, set forth in the following chart:

Number of Qualifying Children	Filing Status: Single, Head of Household, or Qualifying Widow(er)	Filing Status: Married Filing Jointly
None	Maximum earned income and AGI: \$14,590	Maximum earned income and AGI: \$20,020
One	Maximum earned income and AGI: \$38,511	Maximum earned income and AGI: \$43,941
Two	Maximum earned income and AGI: \$43,756	Maximum earned income and AGI: \$49,186
Three or more	Maximum earned income and AGI: \$46,997	Maximum earned income and AGI: \$52,427

If the tax filer was married at the end of 2014, he or she generally must file a joint return and count both spouses' earned income and AGI in determining eligibility for and the amount of the EITC; however, special rules allow certain tax filers living apart from their spouses during 2014 to file as single or head of household. (These rules now apply equally to same-sex couples who are legally married under state law or the law of another country. See Question 8 for more details.)

"Earned income" includes wages, salaries, and tips; net earnings from self-employment; and scholarships and fellowships. It generally does not include bank interest, Social Security or TANF benefits, alimony, or unemployment compensation. (Special rules for determining earned income apply to persons with 2014 nontaxable combat pay).

"Adjusted gross income" is the amount a tax filer enters on line 38 of Form 1040, line 22 of Form 1040A, or line 4 of Form 1040EZ. In general, adjusted gross income is gross income, minus certain allowable deductions. It includes wages, salaries, and tips; net income from self-employment; unemployment compensation; alimony and taxable interest received. It generally does not include child support payments received, TANF benefits, or student loan interest and alimony paid.

A tax filer may not claim the EITC if he or she has investment income for 2014 of more than \$3,350 (special rules apply if the family sold business property and files Form 4797).

### 3. If a family received unemployment insurance (UI) benefits, can it still be eligible for the Earned Income Tax Credit?

It depends. The family won't be eligible if its only income was in the form of UI benefits because UI benefits do not count as earned income. But if the family also had some earnings in 2014 (either because an individual who received UI benefits had earnings for part of the year or because his or her spouse had earnings), it could be eligible for the **EITC**.

### 4. What other eligibility requirements does a family have to meet to claim the Earned Income Tax Credit?

To claim the **EITC**, whether or not a family has a qualifying child, a tax filer (and his or her spouse, if married filing jointly) must not be the qualifying child of another person in 2014. The tax filer must be a U.S. citizen or resident alien during all of 2014, unless he or she is married to a U.S. citizen or resident alien and chooses to be treated as a resident for all of 2014 when the tax filer files a joint return. There are additional eligibility requirements for the **EITC** if a family does not have a qualifying child:

- The tax filer (or the tax filer's spouse, if married filing jointly) must be at least age 25, but under age 65, on December 31, 2014;
- The tax filer (and his or her spouse if married filing jointly) must not be the dependent of another person in 2014; *and*
- The tax filer (and his or her spouse if married filing jointly) must have lived in the United States for more than six months in 2014.

### 5. When is a child a qualifying child who can be claimed for the Earned Income Tax Credit?

A qualifying child for the **EITC** is an individual who:

- Is the tax filer's child, stepchild, adopted child (or child lawfully placed with the tax filer for legal adoption), foster child (placed with the tax filer by an authorized placement agency or court action), sibling, half-sibling, step-sibling, or a descendant of any of

these individuals (e.g., grandchild, niece). There are special rules for married children; *and*

- Was under age 19, or under age 24 and a full-time student, on December 31, 2014, or is any age and permanently and totally disabled; *and*
- Is younger than the tax filer (or the tax filer's spouse, if married filing jointly); *and*
- Did not file a joint return with a spouse for 2014, unless only to claim a refund; *and*
- Lived with the tax filer in his or her main home in the United States for more than six months in 2014. There are special rules for children who were born or died during 2014, were temporarily absent, or were kidnapped.

### 6. What if a tax filer's qualifying child is also the qualifying child of another person?

If the other person is the tax filer's spouse with whom he or she is filing a joint return, the answer is simple: the tax filer and his or her spouse can claim the child together on their joint return. But there are other situations in which a child might be the qualifying child of more than one person.

If more than one person can claim a child as a "qualifying child" in 2014, the following rules generally apply:

<b>If more than one tax filer can claim a child and...</b>	<b>Then the child will be treated as the qualifying child of the...</b>
Only one is the child's parent,	parent.
Two are parents and they do not file a joint return,	parent who lived with the child for the longer period of time in 2014.
Two are parents, they do not file a joint return, and the child lived with each parent the same amount of time in 2014,	parent with the higher adjusted gross income in 2014.
None is the child's parent,	person with the highest adjusted gross income in 2014.

Under some limited circumstances, when more than one tax filer can claim a child as his or her "qualifying child," the tax filers can decide together which one of them will claim the child on his or her tax return. For example:

- If both a parent and a non-parent meet the requirements for claiming a child as a "qualifying child" (see Question 5), they can decide together who

will claim the child as a “qualifying child” only if the non-parent’s AGI is higher than the AGI of any of the child’s parents who can claim the child. For example, if a child lived with her mother and grandmother for more than six months during the tax year, the mother could agree to let the grandmother claim the child as a qualifying child – if, and only if, the grandmother’s AGI is higher than the mother’s.

- If the married parents of a child, both of whom meet the requirements for claiming the child as a “qualifying child” (see Question 5), live apart, but are not divorced or legally separated, the parents can decide together who will claim the child as a “qualifying child.”
- If both unmarried parents of a child meet the requirements for claiming the child as a “qualifying child” (see Question 5), the parents can decide together who will claim the child as a “qualifying child.”

The person who properly claims the child as a “qualifying child” will be able to claim the **EITC** and other tax benefits for that child (including the **Child Tax Credit, Child and Dependent Care Tax Credit**, dependent exemption, and head of household filing status) for 2014. Family members cannot decide to split them up for that child, unless the special rules for divorced and separated parents apply (see Question 7).

For more information, see IRS Publication 501.

### 7. The tax filer has custody of his or her child, but is releasing his or her claim to the dependency exemption for 2014 to the noncustodial parent. Can the tax filer claim the Earned Income Tax Credit?

Yes. If the tax filer lived with the child for more than six months in 2014 and for a longer period of time than the other parent (and meets the other requirements for the **EITC**), the tax filer may claim the child as a qualifying child for the **EITC** even though he or she signed Form 8332 or a similar statement agreeing not to claim the child as a dependent for 2014.

### 8. Can same-sex couples claim the Earned Income Tax Credit?

Yes. Same-sex couples who are legally married under state law or the law of another country may file a joint federal tax return and claim the EITC, if eligible. For more answers to tax filing questions for same-sex married couples, visit <http://www.nwlc.org/resource/after-doma-tax-filing-faqs-same-sex-married-couples>.

### 9. How much can a family get from the Earned Income Tax Credit?

The tables below give some examples of how much the **EITC** could be worth to a family. Use Table 1 if the tax filer is filing as single, head of household, or qualifying widow(er). Use Table 2 if the tax filer is married filing jointly.

Table 1

Earned Income Tax Credit Amounts, Tax Year 2014 Single, Head of Household, or Qualifying Widow(er)				
Earned Income/Adjusted Gross Income	No qualifying children	One qualifying child	Two qualifying children	Three or more qualifying children
\$0	\$0	\$0	\$0	\$0
\$2,000	\$155	\$689	\$810	\$911
\$4,000	\$308	\$1,369	\$1,610	\$1,811
\$6,000	\$461	\$2,049	\$2,410	\$2,711
\$8,000	\$496	\$2,729	\$3,210	\$3,611
\$10,000	\$349	\$3,305	\$4,010	\$4,511
\$12,000	\$196	\$3,305	\$4,810	\$5,411
\$14,000	\$43	\$3,305	\$5,460	\$6,143
\$16,000	\$0	\$3,305	\$5,460	\$6,143
\$18,000	\$0	\$3,274	\$5,419	\$6,101
\$20,000	\$0	\$2,954	\$4,998	\$5,680
\$22,000	\$0	\$2,632	\$4,577	\$5,259
\$24,000	\$0	\$2,315	\$4,155	\$4,838

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\$26,000	\$0	\$1,995	\$3,734	\$4,417
\$28,000	\$0	\$1,676	\$3,313	\$3,995
\$30,000	\$0	\$1,356	\$2,892	\$3,574
\$32,000	\$0	\$1,036	\$2,471	\$3,153
\$34,000	\$0	\$717	\$2,049	\$2,732
\$36,000	\$0	\$397	\$1,628	\$2,311
\$38,000	\$0	\$78	\$1,207	\$1,889
\$40,000	\$0	\$0	\$786	\$1,468
\$42,000	\$0	\$0	\$365	\$1,047**
\$44,000	\$0	\$0	\$0	\$626
\$46,000	\$0	\$0	\$0	\$205

\*\*The amount of the credit for single, head of household, or qualifying widow(er) filers with three or more qualifying children gradually decreases at income levels above \$46,000 until \$46,950, when it reaches \$0.

Table 2

Earned Income Tax Credit Amounts, Tax Year 2014: Married Filing Jointly				
Earned Income/Adjusted Gross Income	No qualifying children	One qualifying child	Two qualifying children	Three or more qualifying children
\$0	\$0	\$0	\$0	\$0
\$2,000	\$155	\$689	\$810	\$911
\$4,000	\$308	\$1,369	\$1,610	\$1,811
\$6,000	\$461	\$2,049	\$2,410	\$2,711
\$8,000	\$496	\$2,729	\$3,210	\$3,611
\$10,000	\$496	\$3,305	\$4,010	\$4,511
\$12,000	\$496	\$3,305	\$4,810	\$5,411
\$14,000	\$459	\$3,305	\$5,460	\$6,143
\$16,000	\$306	\$3,305	\$5,460	\$6,143
\$18,000	\$153	\$3,305	\$5,460	\$6,143
\$20,000	\$0	\$3,305	\$5,460	\$6,143
\$22,000	\$0	\$3,305	\$5,460	\$6,143
\$24,000	\$0	\$3,183	\$5,299	\$5,981
\$26,000	\$0	\$2,863	\$4,878	\$5,560
\$28,000	\$0	\$2,543	\$4,456	\$5,139
\$30,000	\$0	\$2,224	\$4,035	\$4,718
\$32,000	\$0	\$1,904	\$3,614	\$4,297
\$34,000	\$0	\$1,585	\$3,193	\$3,875
\$36,000	\$0	\$1,265	\$2,772	\$3,454
\$38,000	\$0	\$945	\$2,350	\$3,033
\$40,000	\$0	\$626	\$1,929	\$2,612
\$42,000	\$0	\$306	\$1,508	\$2,191
\$44,000	\$0	\$0	\$1,087	\$1,769
\$46,000	\$0	\$0	\$666	\$1,348
\$48,000	\$0	\$0	\$244	\$927
\$50,000	\$0	\$0	\$0	\$506**
\$52,000	\$0	\$0	\$0	\$85

\*\*The amount of the credit for married filing jointly filers with three or more qualifying children gradually decreases at income levels above \$52,000 until \$51,427, when it reaches \$0.

## 10. How does a family claim the Earned Income Tax Credit?

*Even if a family doesn't owe any taxes,* the family must file a tax return to claim the credit. If the family has qualifying children, it must file either Form 1040 or 1040A (not 1040EZ) and a separate form, Schedule EIC. If the family has no qualifying children, it may file Form 1040, 1040A, or 1040EZ, and does not have to file Schedule EIC. Note that if the tax filer was married at the end of 2014, he or she generally must file a joint return in order to claim the credit, although special rules may apply if he or she lived apart from his or her spouse during 2014. This rule also applies to married same-sex couples, who can file joint returns for federal tax purposes. If a family can provide the basic information discussed above to show its eligibility, the IRS will calculate the family's **EITC** if the tax filer writes "EIC" to the left of the entry space for line 38a on Form 1040A or line 8a on Form 1040EZ (for families with no qualifying children only), or on the dotted line next to line 64a on Form 1040.

To claim the **EITC**, the tax filer will need to provide a Social Security Number (SSN) for him or herself, his or her spouse if married filing jointly, and any qualifying child(ren). The tax filer must have the SSNs before filing the family's tax return. It can take some time to receive an SSN, so the tax filer should apply well in advance. To apply for an SSN, the tax filer should complete Form SS-5 from the Social Security Administration, available at <http://www.ssa.gov/online/ss-5.html>.

## 11. Can a family claim the Earned Income Tax Credit if it also claims the Child Tax Credit and the Credit for Child and Dependent Care Expenses?

Yes. If a family is eligible for these credits, it can claim benefits under all three provisions and decrease its taxes or increase its refund.

## 12. Can a family still claim the Earned Income Tax Credit if it owes no taxes?

Yes. Even if a family doesn't owe any federal income taxes, it may get a refund check if it files Form 1040 or 1040A and Schedule EIC if the family has qualifying children, or Form 1040, 1040A, or 1040EZ if it does not have qualifying children.

## 13. Will a family's Temporary Assistance for Needy Families benefits or other government benefits be affected if the family receives an Earned Income Tax Credit refund?

No. The amount of a tax filer's **EITC** refund will not be used to determine whether the family is eligible for, or how much the family will receive in, Temporary Assistance for Needy Families benefits, Food Stamps (now called SNAP), Medicaid, Supplemental Security Income, low-income housing assistance, or other federally funded federal, state, or local benefits, as long as the family spends the refund within 12 months of the month when it is received.

## 15. If I can't afford to get my taxes prepared, can I get any help?

Yes. There are many resources available for low- and moderate-income families who need help preparing their taxes, including the IRS-sponsored VITA program and the AARP-sponsored Tax-Aide program. Visit <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers> for more information.

Additionally, the Free File Alliance partners with the IRS to help low- and moderate-income families file their taxes online for free. Visit them at <http://www.freefilealliance.org/>.

### For more information:

Information about other tax benefits available to families with children is available on the National Women's Law Center's website at [www.nwlc.org/lowery-ourtaxes](http://www.nwlc.org/lowery-ourtaxes). Further information is also available from the Internal Revenue Service on its website, [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-1040 toll-free.