

EITC Is Not a 4-Letter Word

"Taxes are what we pay for a civilized society."

-- Statement by former U.S. Supreme Court Justice Oliver Wendell Holmes (inscription on the IRS building in Washington, DC)

If you are a parent, a relative, or a foster parent raising a child, you need to know about the Earned Income Tax Credit. The "EITC" is one '4-letter word' you should know and use!

In fact, the EITC may provide a smaller benefit even if you have no children in the home. Here are some basic questions and answers.

Q. What is the Earned Income Tax Credit?

The Earned Income Tax Credit (EITC) is a tax benefit for working persons who earn low or moderate income. If the EITC exceeds what you owe in taxes, you can get a tax refund.

A smaller EITC is available for low income single or married adults without children. Adults between 25 and 65 who don't have a qualifying child get a credit of up to \$412 if their income is less than \$12,120 (single) or \$14,120 (married filing jointly).

Q. What is the EITC for a taxpayer raising a child?

Single adults or a married couple with 1 qualifying child get a credit of \$2,747 if their 2006 income is less than \$32,001 (single) or \$34,001 (married filing jointly).

Single adults or a married couple with 2 or more qualifying children get a credit of up to \$4,536 if their income is less than \$36,348 (single) or \$38,348 (married filing jointly).

A "qualifying child" must satisfy three requirements regarding relationship, residency, and age.

Q. What is the relationship requirement?

A child must be a taxpayer's:

- Son, daughter, stepson, stepdaughter, or a descendant of any one of them,
- Brother, sister, stepbrother, stepsister, or a descendant of any one of them, or
- An eligible foster child (a child placed by an authorized placement agency).

Q. What is the residency requirement?

The child must have lived with the taxpayer in the United States for more than half the tax year. The EITC also applies to active duty military personnel stationed outside the United States.

Q. What is the age requirement?

The child must be under age 19 at the end of the taxable year (2006), or under age 24 and a full-time student, or any age if permanently and totally disabled.

Q. What if another person tries to claim my child for the EITC?

If two or more persons have the same qualifying child, they can choose which one will claim the credit. If they cannot agree and more than one actually claims the credit, then the IRS has a set of rules to say who gets the credit. You can call the IRS help line at 1-800-829-1040.

A person who claims the EITC wrongly will have to pay back the IRS. If a person thinks that he or she should receive the EITC and the IRS denies the claim, then the person should appeal the IRS decision.

Q. Does the EITC affect a person's eligibility for food stamps, SSI, or low income housing?

No. If you are denied benefits or your amount decreases because of the EITC, contact the Legal Aid Society.

The Legal Aid Society has a special Tennessee Taxpayer Project. We have tax attorneys who provide free legal help for taxpayers who cannot afford to hire an attorney with problems with federal tax matters involving less than \$50,000 in dispute. We can also help innocent spouses when the IRS tries to hold them responsible for tax problems caused by their partners. We can also help spouses who are ordered to pay tax debts that their partners had before they married. We can also provide legal help with tax liens and deficiency notices, and many other disputes with the IRS.

by Jim Hawkins, Managing Attorney, Gallatin office, Legal Aid Society

The Legal Aid Society is a non-profit law firm, not a government agency, and all calls are strictly confidential. Our Tennessee Taxpayer Project offers free help with tax problems. If you need more information on this or other common legal problems, please visit our Web site at www.las.org or call 1-800-238-1443.