



**Wage & Investment**

# ***Earned Income Tax Credit (EITC)***

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## About EITC

EITC, the Earned Income Tax Credit, sometimes called EIC or Earned Income Credit, is a refundable tax credit. Meaning, EITC can reduce the federal tax to zero and any unused credit is refunded. But, workers must file a tax return to get the credit even if their income is below the filing requirement. To qualify, workers must have taxable income from working for someone or from running a business or farm.



# EITC is one of the largest Antipoverty Programs

- Almost 28 million received over \$66 billion in EITC for tax year 2013.
- The average amount of EITC paid out in 2014 was \$2,407.
- Four of five people eligible for the credit claim it
- EITC lifted an estimated 6.5 million people out of poverty, including 3.3 million or half of them children
- EITC along with the refundable portion of the Child Tax Credit lifted an estimated 10.1 million people out of poverty, including 5.3 million children
- The cost of administering the EITC program ratio to claims paid is less than one percent



# 2015 EITC Income Limits, Maximum Credit Amounts and Tax Law Updates



## Earned Income and AGI Limits

Earned income and adjusted gross income (AGI) must each be less than:

If filing...	Qualifying Children Claimed			
	Zero	One	Two	Three or more
Single, Head of Household or Widowed	\$14,820	\$39,131	\$44,454	\$47,747
Married Filing Jointly	\$20,330	\$44,651	\$49,974	\$53,267

## Investment Income Limit

**Investment income** must be \$3,400 or less for the year.

## Maximum Credit Amounts

The maximum amount of credit for Tax Year 2015 is:

- \$6,242 with three or more qualifying children
- \$5,548 with two qualifying children
- \$3,359 with one qualifying child
- \$503 with no qualifying children



# Basic Qualifications

## **All Workers Claiming the EITC Must:**

- Have a valid Social Security number,
- Not file as "married filing separate,"
- Not file Form 2555 or Form 2555-EZ (related to Foreign Earned Income),
- Meet the investment income limitation (\$3,350 or less for tax year 2014),
- Have earned income,
- Not be the qualifying child of another person,
- Generally, be a U.S. citizen or resident alien for the entire year.



## Welcome to EITC Central: Everything you need, all in one place.

We created this new and improved site for our valued IRS partners, employers, government agencies and office, and tax preparers. You can ensure all EITC eligible workers receive the credit they earned and deserve by keeping informed and using the latest tools for marketing, education, and tax return preparation.

IRS's goals for EITC are to increase participation while reducing error. The resources on this site help balance the goals, assisting you in reaching those eligible workers who qualify for the credit and preparing accurate returns which reduces claims made in error.

<http://www.eitc.irs.gov/>



# Statistics for Tax Returns with EITC

**Nationwide, almost 28 million received over \$66 billion in EITC for the 2013 tax year.<sup>1</sup>**

**The average amount of EITC received nationwide was \$2,407.<sup>2</sup>**

State <sup>2</sup>	Number of EITC Claims <sup>2</sup>	Total EITC Amount <sup>2</sup>	Average EITC Amount <sup>2</sup>
ALABAMA	516 K	\$1.4 B	\$2,732
ALASKA	49 K	\$99.5 M	\$2,049
ARIZONA	566 K	\$1.4 B	\$2,530
ARKANSAS	302 K	\$771 M	\$2,552
CALIFORNIA	3.1 M	\$7.3 B	\$2,373
COLORADO	358 K	\$777 M	\$2,174
CONNECTICUT	221 K	\$472 M	\$2,140
DELAWARE	73 K	\$170 M	\$2,309
DISTRICT OF COLUMBIA	54 K	\$125 M	\$2,316



## EITC Participation Rate by State

<b>Participation Rate by State<sup>1</sup></b>	<b>Tax Year 2012</b>	<b>Tax Year 2011</b>	<b>Tax Year 2010</b>	<b>Tax Year 2009</b>	<b>Tax Year 2008</b>
ALABAMA	82.1%	81.0%	79.9%	82.1%	78.2%
ALASKA	75.6%	81.2%	76.2%	71.0%	68.5%
ARIZONA	76.6%	75.7%	74.5%	76.9%	76.2%
ARKANSAS	81.6%	80.8%	80.9%	81.7%	78.5%
CALIFORNIA	74.3%	73.1%	71.0%	78.6%	75.5%
COLORADO	73.5%	74.9%	71.6%	75.5%	74.3%
CONNECTICUT	81.3%	77.7%	77.1%	79.6%	77.3%
DELAWARE	82.0%	83.6%	77.9%	79.8%	78.7%
DISTRICT OF COLUMBIA	75.2%	76.1%	74.0%	75.0%	71.1%





## Why Promote EITC?

- Barriers to understanding eligibility
- 4 out of 5 eligible workers claim EITC
- About one-third of the EITC eligible population turns over each year
- Millions of workers qualify for EITC for the first time this year.
  - Workers move into and out of eligibility based on changes in their marital, parental and financial status.
- Millions of EITC payments unclaimed
  - **Ripple effect:** As more dollars move among consumers and firms, state and local governments capture higher tax revenues



## EITC can be a gateway to Self Sufficiency

- Use EITC as a gateway to affordable, accessible financial services
- Help obtain bank accounts
- Provide financial literacy training
- Provide tools and opportunities to assist families in achieving goals such as home ownership and higher education
- EITC helps to supplement household income for day to day living expenses



## Why is there a need for free tax preparation?

- Inability of working families to prepare their own returns
- Lack of existing free tax preparation sites.
- In 2013, 53% of those claiming EITC used a paid preparer
- Average tax preparation fee is \$292.



## Linking the Pieces

- Outreach – reach eligible families that currently don't claim the EITC
- Free Tax Preparation – preserve the value of the credit
- Asset building – introduce financial literacy into the picture



## Become an IRS Partner

If [your group](#) is interested in partnering opportunities in your area, send an email to [partner@irs.gov](mailto:partner@irs.gov), and let us help you get started making an impact in your community today!

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