

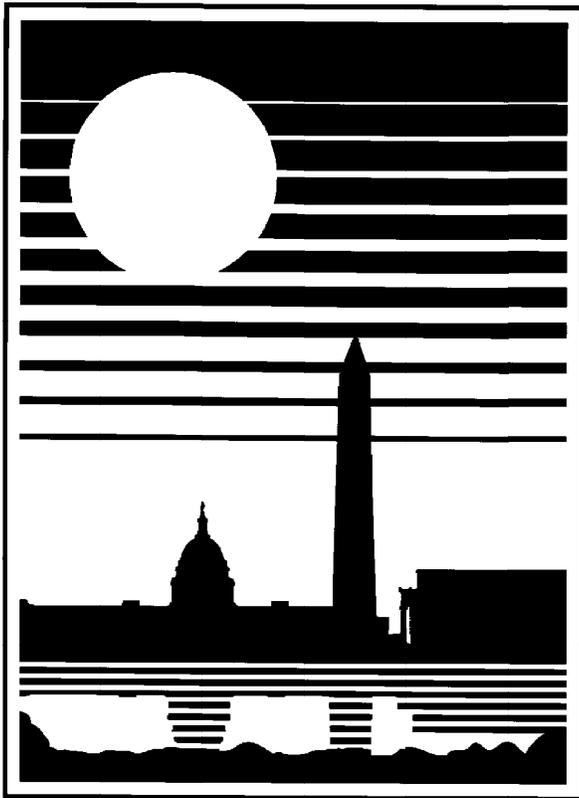


Department of the Treasury
Internal Revenue Service

Publication 596
Cat. No. 15173A

Earned Income Credit

For use in preparing
1996 Returns



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Important Changes for 1996

Earned income amount is more. The amount you can earn in 1996 and still get the credit is more than in 1995. The amount you can earn in 1996 must be less than:

- \$25,078 with one qualifying child,
- \$28,495 with more than one qualifying child, or
- \$ 9,500 without a qualifying child.

Earned income credit is more. The amount of the credit for 1996 is more than in 1995. The most credit you can receive in 1996 is:

- \$2,152 with one qualifying child,
- \$3,556 with more than one qualifying child, or
- \$323 without a qualifying child.

Social security number. You must provide a correct and valid social security number (SSN) for each person listed on your tax return who was born **before December 1, 1996**. For purposes of the earned income credit, this includes yourself, your spouse, and any qualifying children listed on Schedule EIC. If a social security number is missing or incorrect, you may not get the credit. See *Social security number* on page 3.

Investment income more than \$2,200. You cannot claim the earned income credit if your investment income is more than \$2,200. For most people, **Investment income** is taxable interest and dividends, tax-exempt interest, and capital gain net income. To get more detailed information, see *Investment Income*, on page 6.

Modified AGI (adjusted gross income). Generally, you must know your earned income and modified AGI to figure the amount of your earned income credit. See *Modified AGI (adjusted gross income)*, on page 13. Modified AGI will also affect persons who have the same qualifying child. See *Qualifying Child for More Than One Person*, later.

1996 advance earned income credit payment. If you had a 1996 Form W-5 in effect before June 27, 1996, go to *Part IV. Form W-5 Before June 27, 1996*. The title of Form W-5 is *Earned Income Credit Advance Payment Certificate*.

Self-employed persons. If you are self-employed and your net earnings are \$400 or more, be sure to correctly fill out Schedule SE (Form 1040), *Self-Employment Tax*, and pay the proper amount of self-employment tax. If you do not, you may not get all the earned income credit you are entitled to.

Important Reminders

Advance payment of the earned income credit in your paycheck. If you qualify for the earned income credit, you can receive part of it in each paycheck throughout the year. See *Part III. Advance Earned Income Credit Payments*, for more information.

Certain nonresident aliens cannot claim the earned income credit. If you were a nonresident alien for any part of the year, you **cannot** claim the earned income credit unless you are married to a U.S. citizen or resident and both you and your spouse choose to be treated as residents for the entire year. See *Nonresident alien* in the *Introduction*.

Military personnel. For purposes of the earned income credit, if you are in the U.S. military on extended active duty outside the United States, you are considered to live in the United States during that duty period. Therefore, you may be able to claim the earned income credit if you meet all the other rules. See *Military Personnel* on page 6 for a definition of "extended active duty."

Income earned by an inmate at a penal institution. Amounts prisoners received for their work while inmates at a penal institution do not qualify for the earned income credit.

Credit has no effect on certain welfare benefits. The earned income credit and the advance earned income

credit payments you receive will not be used to determine whether you are eligible for the following benefit programs, or how much you can receive from the programs.

- Aid to Families With Dependent Children (AFDC)
- Medicaid
- Supplemental Security Income (SSI)
- Food stamps
- Low-income housing

Introduction

The earned income credit is a special credit for certain persons who work. The credit reduces the amount of tax you owe (if any) and is intended to offset some of the increases in living expenses and social security taxes.

This publication is divided into four parts. In order to know which part you should read, you need to know if you have a qualifying child.

Do you have a qualifying child? Basically, a qualifying child is a child who:

- 1) Is your son, daughter, adopted child, grandchild, stepchild, or eligible foster child, **and**
- 2) Was (at the end of 1996) under age 19, under age 24 and a full-time student, or permanently and totally disabled at any age during the year, **and**
- 3) Lived with you in the United States for more than half of 1996 (for all of 1996 if the child is your eligible foster child). For purposes of the earned income credit, U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period.

See *Who Is a Qualifying Child?* on page 6 for further information.

Which part of the publication is for you? After you have decided if you have a qualifying child, go to the part of this publication that applies to you:

- **Part I. Persons With One or More Qualifying Children** on page 5
- **Part II. Persons Without a Qualifying Child** on page 17
- **Part III. Advance Earned Income Credit Payments** on page 29
- **Part IV. Form W-5 Before June 27, 1996**, on page 32.

Each Part will contain all the information you need to get the credit. Go to the Part that applies to you. Read:

- **Part I** if you earned less than \$25,078 with one qualifying child (or less than \$28,495 with more than one qualifying child).

- **Part II** if you earned less than \$9,500 and did not have a qualifying child.
- **Part III** if you want to know how to get part of the earned income credit in your pay **NOW** instead of waiting for the entire credit after filing your tax return.
- **Part IV** if you had a 1996 Form W-5 in effect before June 27, 1996. You need to do this to see if you can claim the credit on your 1996 tax return.

Unmarried couples living together. Generally, only one person may claim the credit when unmarried couples live together and have a child living with them. If the child is a qualifying child for both persons, only the person with the higher modified AGI may be eligible to claim the credit. The person with the lower modified AGI cannot claim the credit under the rules in either *Part I. Persons With One or More Qualifying Children*, or *Part II. Persons Without a Qualifying Child*.

Social security number. You must provide a correct and valid social security number (SSN) for each person listed on your tax return who was born before December 1, 1996. Enter the SSN for your qualifying child on Schedule EIC, line 4. If your qualifying child is also your dependent, enter the SSN on Schedule EIC, line 4, and on line 6c of Form 1040 or 1040A.

If you, your spouse, or your child does not have an SSN, apply for one by filing **Form SS-5** with the Social Security Administration.

If either you, your spouse, or your child is a **resident or nonresident alien** who does not have (and is not eligible to get) an SSN, file Form W-7, *Application for IRS Individual Taxpayer Identification Number*. This is known as an ITIN. Enter this ITIN wherever the SSN is requested. Use it for tax purposes only.



Earned income credit denied. *You cannot claim the credit using an ITIN.*

For purposes of claiming the earned income credit, you **must** have an SSN for you, your spouse, and your qualifying child. The SSN must be issued by the Social Security Administration to a U. S. citizen or to a person who has permission from the Immigration and Naturalization Service to work in the United States. For 1996, if your child was born in December 1996, an SSN is not needed. For 1997, an SSN will be needed no matter when during the year the child is born.

Filing deadline approaching and still no SSN. If the filing deadline is approaching and you still do not have an SSN, you have two choices.

- 1) Request an automatic extension (Form 4868) to August 15. This extension does not give you extra time to pay any tax owed. You should pay any amount you expect to owe to avoid interest or penalty charges (see the instructions for Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*).
- 2) File the return on time without claiming the earned income credit and do not attach Schedule EIC (if you have a qualifying child). After receiving the SSN, file an amended return (Form 1040X) claiming the credit, and attach a filled-in Schedule EIC (if you have a qualifying child).

Nonresident alien. If you are a nonresident alien for any part of the year, you **cannot** claim the credit unless:

- 1) You are married to a U.S. citizen or a resident alien, **and**
- 2) You choose to be treated as a resident for all of 1996.



If you make this choice, you and your spouse are taxed on your worldwide income. You cannot claim any tax treaty benefits as a resident of a foreign country during the tax year in which the choice is in effect.

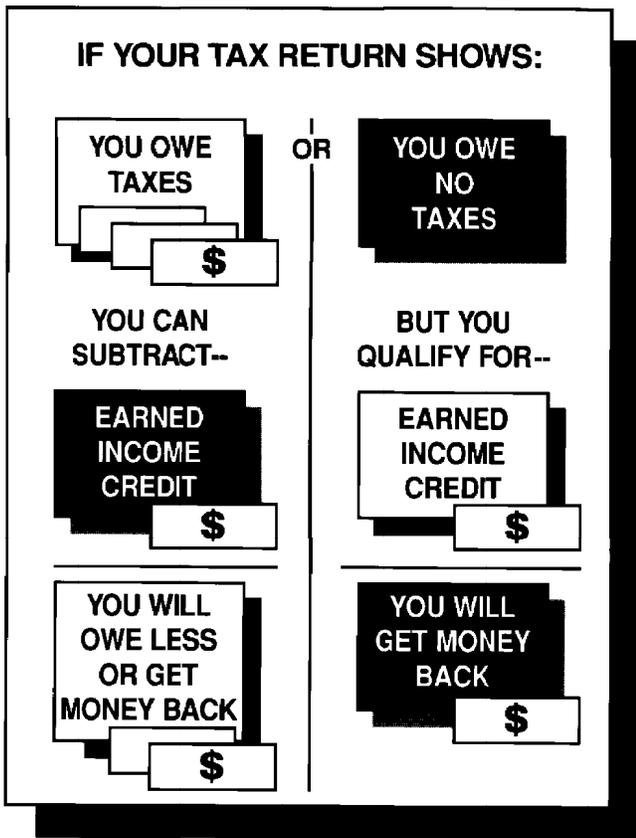
How to make the choice. To make the choice, file a joint return for the first tax year for which the choice applies and attach a statement. The statement should contain the following:

- A declaration that one spouse was a nonresident alien and the other spouse was a U.S. citizen or resident alien on the last day of your tax year, and that you choose to be treated as a U.S. resident for all of 1996, and
- The name, address, and social security number of each spouse.

For more detailed information, get Publication 519, *U.S. Tax Guide for Aliens*.



If you make the choice and qualify for the earned income credit, you will need social security numbers on your income tax return for you, your spouse, and any qualifying children. See Social security number, earlier for more information.



- 2) Meet certain rules. These rules are explained in Part I (page 5) or Part II (page 17) under *Who Can Claim the Credit?*
- 3) Fill out the EIC Worksheet to figure the amount of credit and where to enter it on Form 1040, 1040A, or 1040EZ. Fill out Schedule EIC and attach it to Form 1040 or 1040A only if you have one or more qualifying children.
- 4) **An easier way**— Let the Internal Revenue Service figure the credit for you. See *IRS Will Figure Your Credit for You* on page 14 or 26.

Ordering publications and forms. There are various publications and forms referenced in this publication. See *How To Get More Information*, near the end of this publication for information about getting these publications and forms.

Part I. Persons With One or More Qualifying Children

If you do not have a qualifying child, go to *Part II. Persons Without a Qualifying Child*. If you do not know if your child is a qualifying child, see *Who Is a Qualifying Child* on page 6.

Once you determine that your child is a qualifying child, then read this section to see if you meet the other rules to get the credit.

In this section, the amount of credit you get depends on how many qualifying children you have. You could get up to \$2,152 if you have one qualifying child or up to \$3,556 if you have more than one qualifying child.

How Do I Get This Credit? To get the credit you must:

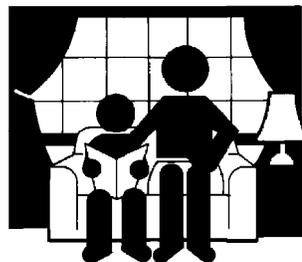
- 1) File a tax return—even if
 - You do not owe any tax, or
 - You did not earn enough money to file a return.

A Qualifying Child Must Meet Three Tests:

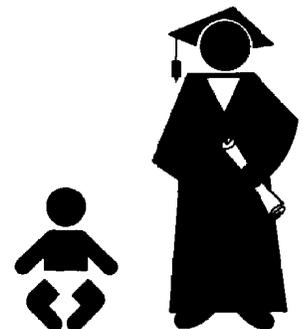
1. Relationship



2. Residency



3. Age





If the social security numbers for you, your spouse, and qualifying child are incorrect or missing, you may not get the credit. See Social security number on page 3.



If you had a 1996 Form W-5 in effect before June 27, 1996, go to Part IV. Form W-5 Before June 27, 1996.

Who Can Claim the Credit?

Generally, if you are a nonresident alien for any part of the year, you cannot claim the credit. See *Nonresident alien* on page 4.

To claim the earned income credit, you must meet **all** the following rules.

- 1) You must have a qualifying child who lived with you in the United States for more than half the year (the whole year for an eligible foster child). For purposes of the earned income credit, U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period. See *Military Personnel* on page 6 and *Birth or death of a child* on page 7. Also see *Social security number* on page 3.
- 2) You must have earned income during the year.
- 3) Your earned income and modified AGI must each be less than:
 - \$25,078 if you have one qualifying child, or
 - \$28,495 if you have more than one qualifying child.
 Modified AGI is defined on page 13.
- 4) Your investment income cannot be more than \$2,200. *Investment Income* is defined later.
- 5) Your filing status can be any filing status **EXCEPT** married filing a separate return. See *Married Persons Living Apart* on page 6 for an exception.
- 6) You cannot be a qualifying child of another person. If you are filing a joint return, neither you nor your spouse can be a qualifying child of another person.
- 7) Your qualifying child cannot be the qualifying child of another person whose modified AGI is more than yours.
- 8) You usually must claim a qualifying child who is married as a dependent. See *Qualifying child who is married* on page 7 for an exception.
- 9) You are not filing Form 2555, *Foreign Earned Income*, (or Form 2555-EZ, *Foreign Earned Income Exclusion*). These forms are filed to exclude from your gross income any income earned in foreign countries, or to deduct or exclude a foreign housing amount. U.S. possessions are not foreign countries. See Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, for more information.



If you meet all these rules, fill out Schedule EIC and attach it to either Form 1040 or Form 1040A. Also complete the EIC Worksheet to figure the amount of your credit. If you have a qualifying child, you cannot claim the credit on Form 1040EZ.

Enter "NO" next to line 54 (Form 1040) or line 29c (Form 1040A) if you **cannot** claim the credit because:

- 1) Your total taxable and nontaxable income was \$25,078 or more if you have one qualifying child (or \$28,495 or more if you have more than one qualifying child),
- 2) You (or your spouse if filing a joint return) were a qualifying child of another person in 1996, or
- 3) Your qualifying child was also the qualifying child of another person whose modified AGI was more yours.
- 4) You, your spouse, or qualifying child does not have an SSN. See *Social security number*, on page 3.

Military Personnel

U.S. military personnel stationed outside the United States on extended active duty are considered to live in the U.S. during that duty period for purposes of the earned income credit.

Extended active duty. Extended active duty means you are called or ordered to duty for an indefinite period or for a period of more than 90 days. Once you begin serving your extended active duty, you are still considered to have been on extended active duty even if you serve less than 90 days.



See Publication 3, *Armed Forces Tax Guide for more information and examples on claiming the earned income credit*.

Investment Income

You cannot claim the earned income credit if your investment income is more than \$2,200. For most people, investment income is the total of the following amounts.

- Taxable interest (line 8a of Form 1040 or 1040A).
- Tax-exempt interest (line 8b of Form 1040 or 1040A).
- Dividend income (line 9 of Form 1040 or 1040A).
- Capital gain net income (line 13 of Form 1040, if more than zero).

However, if you are reporting income from the rental of personal property on Form 1040, line 21, investment income also includes that income in excess of the total deductible related expenses. If you are filing Schedule E (Form 1040), *Supplemental Income and Loss*, investment income also includes the following amounts.

- Royalty income on Schedule E, line 4, in excess of the total related expenses on line 21 of that schedule.

- Income from passive activities (included on Schedule E, lines 26, 28a (col. (h)), 33a (col. (d)), and 39) in excess of the losses from passive activities (included on Schedule E, lines 26, 28b (col. (g)), 33b (col. (c)), and 39). But **do not** take into account any royalty income or (loss) included on line 26 of Schedule E or any amount included in your taxable earned income. To find out if the income on line 26 or line 39 of Schedule E is from a passive activity, see the Schedule E instructions.



If you had a 1996 Form W-5 in effect before June 27, 1996, go to Part IV. Form W-5 Before June 27, 1996.

Married Persons Living Apart

Married persons living apart usually must file a joint return to claim the earned income credit. Even though you are married, you may file as head of household if:

- 1) Your spouse did not live in your home at any time during the last 6 months of the year,
- 2) You paid more than half the cost to keep up your home for the entire year, and
- 3) Your home was, for more than half the year, the main home of your child, stepchild, adopted child, or foster child. You also must be entitled to claim an exemption for your child.

You will meet (3) even if you cannot claim an exemption for your child because:

- You released your claim in writing to the other parent by filling out Form 8332, *Release of Claim to Exemption for Child of Divorced or Separated Parents* or a similar written statement, or
- There is a pre-1985 agreement (decree of divorce or separate maintenance or written agreement) granting the exemption to your child's other parent.

Who Is a Qualifying Child?

You have a qualifying child if your child meets three tests and has a social security number (see *Social security number*, earlier). The three tests are:

- 1) Relationship,
- 2) Residency, and
- 3) Age.

If your child does not meet all three tests of a qualifying child, then you cannot claim the credit for persons with a qualifying child. However, you might qualify for the credit if you do not have a qualifying child and your earned income is under \$9,500. See *Part II. Persons Without a Qualifying Child* for more information.



Your qualifying child does not necessarily have to be your dependent. See *Qualifying child who is married under Relationship Test*.



Make sure the social security numbers for you, your spouse, and your qualifying child are correct. If they are missing or incorrect, you may not get the credit. See *Social security number on page 3*.

Relationship Test

To meet the relationship test, the child must be your:

- Son, daughter, or adopted child (or a descendant of your son, daughter, or adopted child—for example, your grandchild),
- Stepson or stepdaughter, or
- Eligible foster child (this could include a niece, nephew, brother, sister, cousin, etc.).

Adopted child. Your adopted child includes a child placed with you for adoption by an authorized placement agency, even if the adoption is not final.

Eligible foster child. For purposes of the earned income credit, a person is your eligible foster child if:

- 1) The child lived with you and was a member of your household for the **whole year, and**
- 2) You cared for that child as you would your own child.

As long as both (1) and (2) are met, any person can be your “eligible foster child.” The eligible foster child does not have to be related to you.

Qualifying child who is married. You generally **must** claim an exemption for your married qualifying child. If you cannot claim an exemption for your married qualifying child, you may still get the earned income credit if you meet either of the following:

- 1) You cannot claim your child's exemption because you gave that right to your child's other parent by filling out Form 8332 or a similar written statement, or
- 2) You cannot claim your child's exemption because you gave that right to your child's other parent in a pre-1985 agreement (such as a separation agreement or divorce decree).



If you need more information about either of these exceptions or when you can claim an exemption for your child, see *Publication 501, Exemptions, Standard Deduction, and Filing Information or Publication 504, Divorced or Separated Individuals*.

Residency Test

To meet the residency test, there are two rules:

- 1) You must have a child who lived with you for more than half the year (the whole year if your child is an eligible foster child), and
- 2) The home must be in the United States (one of the 50 states or the District of Columbia). For purposes of the earned income credit, U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period.

To meet the residency test, you do not need a traditional home. For example, if your child lived with you for more than half the year in a homeless shelter, the residency test is met.

Birth or death of a child. You will meet the rule for a child living with you for more than half the year if:

- The child was alive for half the year or less during the year, **and**
- The child lived with you for the part of the year he or she was alive.

If your qualifying child is an eligible foster child, you will meet the rule for a child living with you for the whole year if:

- The child was born or died during the year, **and**
- The child lived with you for the part of 1996 he or she was alive.

Temporary absences. You will meet the residency test if you or the qualifying child is away from home on a temporary absence due to a special circumstance. Examples of a special circumstance include:

- Illness,
- Attending school,
- Business,
- Vacation, or
- Military service.

Age Test

To meet the age test, your child must meet one of three rules.

- 1) The child must be under age 19 at the end of the year,
- 2) The child must be a full-time student under age 24 at the end of the year, or
- 3) The child must be permanently and totally disabled at any time during the tax year, regardless of age.

Full-time student. Your child is a full-time student if he or she:

- Was enrolled as a student at a school during any 5 months of 1996 for the number of hours or classes that the school considers to be full time, or
- Took a full-time, on-farm training course during any 5 months of 1996. The course had to be given by a school or a state, county, or local government agency.

School. A school includes technical, trade, and mechanical schools. It does not include on-the-job training courses or correspondence schools.

Permanently and totally disabled. Your child is permanently and totally disabled if both the following apply:

- 1) He or she cannot engage in any substantial gainful activity because of a physical or mental condition, **and**
- 2) A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

Other Rules for a Qualifying Child

The next two items explain what happens if:

- 1) You (or your spouse if filing a joint return) are a qualifying child of another person, or
- 2) You and someone else have the same qualifying child.

Qualifying child of another person. If you (or your spouse if filing a joint return) are a qualifying child of another person, you cannot claim the earned income credit—no matter how many qualifying children you have.

Example. You and your daughter lived with your mother all year. You are 22 years old and attended a trade school full time. You had a part-time job and earned \$5,700. You had no other income. Your mother worked and earned \$16,000.

Your daughter is your qualifying child. Your mother meets all the rules for the earned income credit. Both you and your daughter are qualifying children of your mother.

You cannot claim the earned income credit because you are your mother's qualifying child.

Qualifying child for more than one person. If you and someone else have the same qualifying child, only the person with the higher modified AGI may be able to claim the credit. This is true even if the person with the higher modified AGI does not meet all the rules (page 5) to claim the credit. Modified AGI is defined on page 13.

Example 1. You and your son lived with your mother all year. You are 25 years old. Your only income was \$9,300 from a part-time job. Your mother's only income was \$15,000 from her job.

Your son is a qualifying child for both you and your mother. However, because you both have the same

qualifying child, only one of you can claim the credit. Because your mother's modified AGI (\$15,000) is more than your modified AGI (\$9,300), only your mother can claim the earned income credit. You cannot claim the credit under the rules for *Part I. Persons With One or More Qualifying Children* or *Part II. Persons Without a Qualifying Child*.

Example 2. Use the same facts from *Example 1*, except that your mother's modified AGI is now \$40,000.

Your mother cannot claim the earned income credit because her modified AGI is more than \$25,078. Even though your mother cannot claim the earned income credit, you cannot claim the credit either, because your mother's modified AGI is more than yours.

Example 3. You and your sister shared a household for the entire year. You have 3 young children who lived in the household. Your sister does not have any children. However, she cares for your children as if they were her own. You earn \$12,000 and she earns \$13,000.

The children meet the age and residency tests for both you and your sister. They meet the relationship test for you because they are your children. They also meet the relationship test for your sister because they lived with her in the same household for the whole year. She cared for them as if they were her own. Therefore, they qualify as her eligible foster children.

Your children are qualifying children for both you and your sister. However, because your sister's modified AGI is higher than yours, she is the only one who can claim the credit.



Schedule EIC has spaces to enter the names of only 2 children. In this example there are 3 children. You cannot split the qualifying children. Your sister's higher modified AGI entitles her to the credit for the children even though only 2 names appear on Schedule EIC.

Example 4. You, your spouse, and your son lived together until July 1996, when your spouse moved out of the household. In November 1996, you and your spouse were divorced. Your earned income and modified AGI were \$13,000. Your former spouse's earned income and modified AGI were \$15,000. Your son is a qualifying child for both you and your former spouse, because your son lived with each of you for more than half the year. However, because your former spouse's modified AGI (\$15,000) was more than your modified AGI (\$13,000), only your former spouse can claim the earned income credit in 1996.



If the other person is your spouse and you file a joint return, this rule does not apply.

There Are Two Ways To Get Earned Income. You Must Work:

1)

For Someone Who Pays You



or

2)

In A Business You Own



What Is Earned Income?

As you already know, you must have a qualifying child living with you to qualify for the earned income credit in this Part I. But you also must work and have earned income. There are two ways to get earned income.

- 1) You work for someone who pays you, or
- 2) You work in a business you own.

That is why this credit is called the earned income credit. What is "earned income?" This section will explain what counts as earned income in order to get the earned income credit. For examples of what is and is not earned income see *Table 1*.

What Counts as Earned Income

Earned income includes all the income you get from working—even if it is not taxable. The paragraphs that follow will explain some items that are considered earned income when figuring the credit.

Earned income that is not taxed. As you can see, *Table 1* includes some earned income that is not taxed. Earned income that is not taxed still counts as earned income when figuring the amount of your earned income credit.

To figure the earned income credit, you add the amounts of earned income that are not taxed to any amounts of taxable earned income you received during the year. You do this by putting the amount of your earned income that is not taxed on line 4 of the EIC Worksheet in the instructions for:

Table 1. Examples of Earned Income When Figuring the Earned Income Credit

Earned Income	
Includes:	Does not include:
<p>TAXABLE EARNED INCOME (Enter on EIC Worksheet, Line 1)*</p>	<p>Interest and dividends</p> <p>Social security and railroad retirement benefits</p> <p>Welfare benefits</p> <p>Pensions or annuities</p> <p>Veterans' benefits (including VA rehabilitation payments)</p> <p>Workers' compensation benefits</p> <p>Alimony</p> <p>Child support</p> <p>Unemployment compensation (insurance)</p> <p>Taxable scholarship or fellowship grants that are not reported on Form W-2</p> <p>Variable housing allowance for the military</p> <p>Earnings for work performed while an inmate at a penal institution</p>
<p>Wages, salaries, and tips</p> <p>Union strike benefits</p> <p>Long-term disability benefits received prior to minimum retirement age</p> <p>Net earnings from self-employment (enter on line 5 of the Form 1040 EIC Worksheet)</p>	
<p>NONTAXABLE EARNED INCOME (Enter on line 4 of the EIC Worksheet)*</p>	
<p>* Voluntary salary deferrals (for example: under a 401(k) plan or the Federal Thrift Savings Plan)</p> <p>* Pay earned in a combat zone (box 13, code Q, of your W-2)</p> <p>* Basic quarters and subsistence allowances and in-kind quarters and subsistence for the U.S. Military (box 13, code Q, of your W-2)</p> <p>* The value of meals or lodging provided by an employer for the convenience of the employer</p> <p>* Housing allowance or rental value of a parsonage for the clergy (see "Ministers and members of religious orders")</p> <p>* Excludable dependent care benefits (line 19 of either Form 2441 or Schedule 2)</p> <p>* Voluntary salary reductions such as under a cafeteria plan</p> <p>Anything else of value you get from someone for services you performed even if it is not taxable</p>	
<p>* If you want IRS to figure your credit for you, enter the amount and type of your nontaxable earned income on line 8 (Form 1040EZ), line 29c (Form 1040A), or line 54 (Form 1040). For more information see, "IRS Will Figure Your Credit for You" in this publication.</p>	

- Form 1040 and enter the type and amount in the spaces on line 54, or
- Form 1040A and enter the type and amount in the spaces on line 29c.

Special note for military personnel. Pay earned in a combat zone, basic quarters and subsistence allowances, and the value of in-kind quarters and subsistence are all earned income that is not taxed but must be used when you figure the earned income credit. These amounts will be on your W-2 in box 13 under code "Q". See Publication 3 for more detailed information.

Disability payments. If you retired on disability, payments you receive are considered earned income until you reach minimum retirement age. Minimum retirement age generally is the earliest age at which you can receive a pension or annuity if you are not disabled. You must report your taxable disability payments on line 7 of either Form 1040 or Form 1040A until you reach minimum retirement age.

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension and are not considered earned income. Report taxable pension payments on Form 1040, lines 16a and 16b (or Form 1040A, lines 11a and 11b).

Cafeteria plans. If your employer offers a benefit plan that allows you to “pick and choose” among two or more benefits consisting of cash and certain employee benefits that are not taxed, you are probably participating in a cafeteria plan. Some of the benefits that may be offered include:

- Accident or health insurance
- Dependent care assistance.

If you choose a benefit that is not taxed (such as accident and health insurance) and agree to a voluntary salary reduction for the benefit, the amount of the salary reduction is earned income when figuring this credit.

Community property laws. If you live in a state that has community property laws for married persons, do not follow those community property laws when using your earned income to figure your earned income credit.

Earnings while an inmate at a penal institution. Amounts paid to inmates in penal institutions for their work are not earned income when figuring the earned income credit. If the total on line 7 (Form 1040A or 1040) includes such income, subtract that income from the total on line 7. Enter the result on line 1 of the EIC worksheet in your form instruction package. Also, enter “PRI” and the amount subtracted next to line 7 (Form 1040 and 1040A).

Household employees. If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, be sure to include the amount you were paid on line 7 (Form 1040 or 1040A). Enter “HSH” and the amount not reported on Form W-2 next to the line 7 (Form 1040 or 1040A).

Native Americans. Native Americans who receive income exempt from federal income tax under the Internal Revenue Code or because of a treaty, agreement, Act of Congress, or other federal law may qualify for the earned income credit. The requirements for claiming the earned income credit for Native Americans are the same as those for everyone else.

One of the requirements for the earned income credit is that you must have “earned income.” All wages, salaries, tips, and other employee compensation are earned income, even if they are not taxed. Thus, nontaxable treaty, etc., income is earned income if it is compensation for services performed as an employee. However, nontaxable income received for performing services as a self-employed individual is not earned income when figuring the earned income credit.

Important note. If you are not self-employed, a statutory employee (explained on page 12), or a minister or member of a religious order, skip *If you own your business* and begin reading the section called *How To Figure the Credit* on page 13.

If you own your business. If you own your business, you are self-employed. You must include your net earnings from self-employment in earned income, even if the amount is less than \$400. Net earnings is the amount you get after you subtract your business expenses and half of your self-employment taxes from your business gross (total) income. If this figure is a net loss, you must subtract the loss from your total earned income.



If you are self-employed and your net earnings are \$400 or more, be sure to correctly fill out Schedule SE (Form 1040), Self-Employment Tax, and pay the proper amount of self-employment tax. If you do not, you may not get all the earned income credit you are entitled to.

You may figure the amount of your net earnings by using either the regular or optional methods shown on Schedule SE. Publication 533, *Self-Employment Tax*, and the instructions for Schedule SE explain these methods. If you are eligible to choose the optional method, you may use up to \$1,600 as the amount of earned income.

Example. Anthony Smith had \$20,000 in gross farm income and a net farm **loss** of \$5,000 for the year. He had no other income. Because his gross farm income was more than \$2,400 and his net earnings (a loss of \$5,000) from farming were less than \$1,733, he can choose the farm optional method of figuring self-employment tax.

Even though he had a net loss for the year, he can enter \$1,600 as net earnings from self-employment on Schedule SE. The \$1,600 is earned income when used in figuring the earned income credit.

Net earnings from self-employment. Your net earnings from self-employment are earned income. Net earnings can be found on Schedule SE, Section A, line 3, or Section B, line 3 and 4b. From this amount you must subtract the amount you claimed (or should have claimed) on Form 1040, line 25. This net amount is your earned income to use in figuring the earned income credit. If you do not have to file Schedule SE (because your net earnings from self-employment minus half of

your self-employment tax are under \$400), include the net amount in earned income on line 5 of the EIC Worksheet in the Form 1040 instructions. However, see *Table 2*, to figure the amount to enter on line 5 of the EIC Worksheet in the Form 1040 instructions.

Table 2. If you are filing Schedule C, Schedule C–EZ, or Schedule F, use Table 2 on page 12 to figure the amount to enter on the EIC Worksheet, line 5, in the Form 1040 instructions.

Table 2. How to Figure Line 5 of the EIC Worksheet

(Keep for your records)

If filing a joint return and your spouse was also self-employed or reported income and expenses on Schedule C or C–EZ as a statutory employee, add your spouse's amounts to yours to figure the amount to enter below.

- 1. If you are filing Schedule SE:**
 - a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies **1a.** _____
 - b. Enter the amount, if any, from Schedule SE, Section B, line 4b **1b.** _____
 - c. Add lines 1a and 1b **1c.** _____
 - d. Enter the amount from Form 1040, line 25 **1d.** _____
 - e. Subtract line 1d from line 1c **1e.** _____
- 2. If you are NOT required to file Schedule SE (for example, because your net earnings from self-employment were less than \$400),** complete lines 2a through 2c. But *do not* include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of **Form 4029** or **4361**.
 - a. Enter any net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a **2a.** _____
 - b. Enter any net profit or (loss) from Schedule C, line 31, Schedule C-EZ, line 3, and Schedule K-1 (Form 1065), line 15a (other than farming) **2b.** _____
 - c. Add lines 2a and 2b. Enter the total even if a loss **2c.** _____
- 3. If you are filing Schedule C or C-EZ as a statutory employee,** enter the amount from line 1 of that Schedule C or C-EZ **3.** _____
- 4.** Add lines 1e, 2c, and 3. Enter the total here and on line 5 of the EIC Worksheet, even if a loss. If the result is a loss, enter it in parentheses and read the **Caution** below **4.** _____

Caution: *If line 5 of the EIC Worksheet is a loss, subtract it from the total of lines 3 and 4 of that worksheet and enter the result on line 6 of that worksheet. If the result is zero or less, you cannot take the earned income credit.*

Ministers and members of religious orders. If you can claim the earned income credit and file Schedule SE and the amount on line 2 of that schedule includes

an amount that was also reported on Form 1040, line 7, follow these special rules.

- 1) Print “**Clergy**” to the right of line 54, Form 1040.
- 2) Determine how much of the income reported on Form 1040, line 7, was also reported on Schedule SE, line 2.
- 3) Subtract that income from the amount on Form 1040, line 7. Enter only the result on the EIC Worksheet, line 1, in the Form 1040 instructions.
- 4) Complete Table 2 to determine the amount to enter on the EIC Worksheet, line 5, in the Form 1040 instructions.

If you received a housing allowance or were provided housing, **do not** include the allowance or rental value of the parsonage as nontaxable earned income on the EIC Worksheet, line 4, in the Form 1040 instructions (or in the space provided next to line 54, Form 1040). This income should already be included on Schedule SE, line 2.

Statutory employee. Statutory employees are generally considered self-employed. However, the amounts received by statutory employees have social security and Medicare taxes withheld. For purposes of the earned income credit, statutory employees are treated as employees. Therefore, the gross (total) amount received from employment is included in earned income. The four types of statutory employees are:

- 1) An agent (or commission) driver who delivers food, beverages (other than milk), laundry, or dry cleaning for someone else.
- 2) A full-time life insurance salesperson.
- 3) A homemaker who works by the guidelines of the person for whom the work is done, with materials furnished by and returned to that person or to someone that person designates.
- 4) A traveling or city salesperson (other than an agent-driver or commission-driver) who works full time (except for sideline sales activities) for one firm or person getting orders from customers. The orders must be for items for resale or use as supplies in the customer’s business. The customers must be retailers, wholesalers, contractors, or operators of hotels, restaurants, or other businesses dealing with food or lodging.

If you were a statutory employee and you reported your income and expenses on Schedule C (Form 1040) (or Schedule C–EZ), your earned income includes the amount on line 1 of Schedule C (or Schedule C–EZ).

If you need further information about statutory employees, see Publication 15–A, *Employer’s Supplemental Tax Guide*.

Approved Form 4361 and Form 4029. This section is for persons who have an approved:

- Form 4361, *Application for Exemption from Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners*, or
- Form 4029, *Application for Exemption from Social Security and Medicare Taxes and Waiver of Benefits*.

Each approved form exempts certain income from the self-employment tax. Each form is discussed in this section in terms of what is or is not earned income for purposes of the earned income credit.

Form 4361. If you have an approved Form 4361, amounts you received for performing ministerial duties as an employee are earned income. This includes wages, salaries, tips, and other employee compensation. Other employee compensation includes nontaxable compensation such as housing allowances or the rental value of a parsonage that you receive as part of your pay for services as an employee.

Amounts you received in the exercise of ministerial duties, but not as an employee, are not earned income. Examples include fees for performing marriages and honoraria for delivering speeches.

Any compensation you received from an undertaking unrelated to the ministry is earned income. This is so, whether you received the amounts as an employee or as a self-employed individual.

Form 4029. If you have an approved Form 4029, all wages, salaries, tips, and other employee compensation are earned income. Amounts you received as a self-employed individual are not earned income. Also, losses from Schedule C, C–EZ, or F cannot be subtracted from wages on line 7 of Form 1040.

How To Figure the Credit

Once you know that you qualify for the earned income credit, you need to know how to figure the amount of the credit. You have two choices of how to figure the credit.

- 1) Have the IRS figure the credit for you. If you would like the IRS to do this, see *IRS Will Figure Your Credit for You*, on page 14, or
- 2) Figure the credit yourself. To do this:
 - a) Complete the EIC Worksheet and enter the amount of the credit on line 54 (Form 1040) or line 29c (Form 1040A), and
 - b) Complete Schedule EIC and attach it to your Form 1040 or Form 1040A, if you have a qualifying child. If you do not have a child or a qualifying child, go to *Part II* and follow those instructions.

Earned income credit table. You use this table to find the amount of your credit. The table begins on page 36.

The examples for John and Janet Smith and David and Judy Brown will show how to use the table.

Modified AGI (adjusted gross income). You need to know your earned income and modified AGI when figuring your credit amount. Your credit amount depends on how many qualifying children you have, how much you earn, and your modified AGI. In many cases your modified AGI will be the same figure as your AGI. AGI includes items such as taxable social security benefits and unemployment benefits.

Modified AGI for most people filing Form 1040, 1040A, or 1040EZ is the same as AGI. AGI is the amount on line 31 (Form 1040), line 16 (Form 1040A), and line 4 (Form 1040EZ). But if you are filing Schedule C, C-EZ, D, E, or F, your modified AGI is the amount on Form 1040, line 31, **plus** the total of the following amounts. If you are claiming a loss from the rental of personal property not used in a trade or business, also add that loss to the amount on Form 1040, line 31.

- Any losses claimed on Form 1040, line 13.
- Any losses claimed on Schedule E, line 36.
- Any royalty loss included on Schedule E, line 26.
- One-half of **each** of the following losses:
 - a) Any loss on Form 1040, line 12.
 - b) Any loss on Form 1040, line 18.
 - c) Any loss determined by combining any rental real estate income or (loss) included on Schedule E, line 26, and the amounts on lines 31 and 39 of that schedule. Do not take into account items which are attributable to a trade or business which consists of the performance of services by the taxpayer as an employee.



If you had a 1996 Form W-5 in effect before June 27, 1996, go to Part IV. Form W-5 Before June 27, 1996.

Alternative minimum tax (AMT). The tax laws give special treatment to some kinds of income and expenses. This special treatment could substantially reduce or eliminate an individual's income tax. So that taxpayers who benefit from these laws will pay at least a minimum amount of tax, there is a special tax called the AMT.

You may have to pay the AMT if your taxable income for regular tax purposes, combined with any of the adjustments and preference items that apply to you, totals more than:

- **\$45,000** if you are married filing a joint return (or a qualifying widow(er) with dependent child)
- **\$33,750** if your filing status is head of household or single

You **must** reduce your earned income credit by the amount of any AMT you have for the tax year.

Form 1040 and the AMT. If you file Form 1040 and included AMT on line 46, reduce the amount that you enter on line 10 of the Form 1040 EIC Worksheet by the

amount on line 46 of Form 1040. Next, enter the result (if more than zero) on Form 1040, line 54. Then replace the amount on the Form 1040 EIC Worksheet, line 10, with the amount entered on Form 1040, line 54.

Form 1040A and the AMT. If you file Form 1040A and included AMT on line 28, subtract your AMT from the amount on line 9 of the Form 1040A EIC Worksheet. Next, enter the result (if more than zero) on Form 1040A, line 29c. Then, replace the amount on line 9 of the Form 1040A EIC Worksheet with the amount entered on Form 1040A, line 29c. See the instructions for Form 6251, *Alternative Minimum Tax—Individuals* for more information.

IRS Will Figure Your Credit for You

There are certain instructions you must follow before IRS can figure the credit for you.

Form 1040. If you are filing Form 1040 and you want the IRS to figure the credit for you, you must fill out parts of Form 1040 and also:

- 1) Enter any advance earned income credit payments received in 1996 on line 49.
- 2) Complete Schedule EIC if you have a qualifying child.
- 3) Print **EIC** next to line 54. Also, if you have any earned income that is not taxed, enter the amount and type of income in the spaces for line 54. See *Table 1* for examples of earned income that is not taxed.
- 4) If line 7 includes an amount for work performed while an inmate in a penal institution, print "PRI" and the amount received (if any) next to line 7.
- 5) If you were a household employee and did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, print "HSH" and the amount not reported on a Form W-2 next to line 7. Also include the amount you were paid in the total for line 7.

To see which lines on Form 1040 you must fill out, get Publication 967, *The IRS Will Figure Your Tax*.

Form 1040A. If you are filing Form 1040A and you want the IRS to figure the credit for you, you must:

- 1) Fill in the parts of Form 1040A through line 22 that apply to you.
- 2) If you file a joint return, use the space to the left of line 22 to separately show your own and your spouse's taxable income.
- 3) Complete lines 24a, 24b, 26, 27, 29a, 29b, and any write-ins on line 29d, if they apply to you. If you received any advance earned income credit payments, show the amount of the payments on line 26.

- 4) Attach the first copy or Copy B of all your W-2 and 1099-R forms that show federal income tax withheld.
- 5) Fill-in and attach any schedules or forms asked for on the lines you completed.
- 6) Complete Schedule EIC, if you have a qualifying child.
- 7) Print "**EIC**" next to line 29c. Also, if you have earned income that is not taxed, enter the amount and type of income in the spaces provided. See *Table 1* for examples of earned income that is not taxed.
- 8) If line 7 includes an amount for work performed while an inmate in a penal institution, print "PRI" and the amount received (if any) next to line 7.
- 9) If you were a household employee and did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, print "HSH" and the amount not reported on a Form W-2 next to line 7. Also include the amount you were paid in the total for line 7.
- 10) Sign and date your return (both spouses must sign a joint return), enter your occupations, and file your return by April 15, 1997.

How To Figure the Credit Yourself

There are certain instructions you must follow if you want to figure the credit yourself.

Form 1040A, EIC Worksheet, and Schedule EIC

Figure the amount of your credit on the EIC Worksheet if you meet the rules on page 5 and your total earned income (line 7, Form 1040A) and your modified AGI are each less than:

- \$25,078 if you have one qualifying child, or
- \$28,495 if you have more than one qualifying child.

If you **do not** meet all the rules on page 5, then you do not qualify for the earned income credit. If you qualify for the credit, also fill out Schedule EIC to provide information about your qualifying child and attach it to your Form 1040A. Do not attach the EIC Worksheet to your return.

If line 7 includes any amount paid to an inmate in a penal institution for work, see *Earnings while an inmate at a penal institution* on page 9 for a special instruction.

If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, see *Household employees* on page 9 for a special instruction.

If you want the IRS to figure your credit, see *IRS Will Figure Your Credit for You* on page 13.



CAUTION If Form 1040A, line 7, includes an amount for a taxable scholarship or fellowship grant that was not reported on your Form W-2, enter the total line 7 amount on line 1 of the EIC Worksheet. Next, enter the amount of the taxable scholarship or fellowship grant (that was not reported on your W-2) in the box for line 2 of the Form 1040A EIC Worksheet. Then subtract line 2 from line 1 and enter the result on line 3.



TIP You cannot use Form 1040EZ if you have a qualifying child. If you qualify for the credit and have a qualifying child, you must complete the EIC Worksheet, Schedule EIC, and file either Form 1040 or Form 1040A.

Example—1040A

John and Janet Smith are married and will file a joint return. They have one child—Amy, who is 2 years old (as of December 31, 1996). Amy lived with John and Janet for all of 1996. John worked and earned \$9,500. Janet worked part of the year and earned \$1,500. Their total earned income and modified AGI is \$11,000. John and Janet qualify for the earned income credit and fill out the EIC Worksheet and Schedule EIC. The Smiths will attach Schedule EIC to Form 1040A when they send their completed return to the IRS.

They took the following steps to complete Schedule EIC and the EIC Worksheet. Their completed Schedule EIC and EIC Worksheet are on page 18.

Step 1—Schedule EIC

The Smiths enter "John and Janet Smith" and John's social security number (SSN) on the line at the top of Schedule EIC. They place only the primary SSN (the one that appears first on the Form 1040A) on this line. Next, they fill out *Information About Your Qualifying Child or Children* (lines 1–6). See *Social security number* on page 3.

Line 1. The Smiths enter the first name and last name for Amy in the column "(a) Child 1."

Line 2. They enter the year of birth for Amy (1994).

Line 3a and 3b. The Smiths skip these lines because Amy was born after 1977.

Line 4. They enter Amy's SSN. See *Social security number*, on page 3.



TIP If your child was born in December 1996, you do not have to enter his or her SSN on line 4. Instead, enter 12/96 on line 4.

Line 5. The Smiths enter "daughter" for Amy. This column shows Amy's relationship to John and Janet.

Line 6. The Smiths enter "12" for Amy. This is how many months Amy lived with the Smiths in 1996.



Do not enter more than 12 on line 6. Count temporary absences, such as for school, vacation, or medical care, as time lived in your home. If the child lived with you for more than half of 1996 but less than 7 months, enter 7 on line 6.

Step 2—EIC Worksheet

In Step 1 the Smiths completed Schedule EIC with information about their qualifying child. Next, they will complete the EIC Worksheet to figure their earned income credit amount.

Line 1. The Smiths enter \$11,000 from Form 1040A, line 7.

Line 2. The Smiths leave this blank because they did not have any taxable scholarships or fellowship grants.

Line 3. Because line 2 is blank, the Smiths enter the \$11,000 from line 1.

Line 4. The Smiths leave this line blank because all their income is taxable.

Line 5. They add lines 3 and 4 together and enter \$11,000.

Line 6. The Smiths are ready to see how much of a credit they can get. They go to the **Earned Income Credit Table** that begins on page 36. They have one qualifying child—Amy. The Smiths find their income of \$11,000 (from the EIC Worksheet, line 5) within the range of \$9,500 to \$11,650. They follow this line across to the column “One child” and find \$2,152. They enter \$2,152.

If the amount on the Form 1040A EIC Worksheet, line 5 or line 7, is—		And you listed—		
		No children	One child	Two children
At least	But less than	Your credit is—		
9,400	9,450	0	2,152	3,556
9,450	9,500	0	2,152	3,556
9,500	11,650	0	2,152	3,556
11,650	11,700	0	2,142	3,542

Line 7. The Smiths enter their modified AGI of \$11,000. This amount is from Form 1040A, line 16. Modified AGI for Form 1040A is the same as AGI.

Line 8. Because their earned income of \$11,000 is less than \$11,650, they check the box for **YES** and go to line 9.

Line 9. The Smiths read the instructions for line 9. Because they checked **YES** on line 8, they enter the amount from line 6 (\$2,152) on line 9 and also on Form 1040A, line 29c. The \$2,152 is their earned income credit.

Form 1040, EIC Worksheet, and Schedule EIC

Figure the amount of your credit on the EIC Worksheet if you meet the rules on page 5 and your total earned income (line 7, Form 1040) and your modified AGI are each less than:

- \$25,078 if you have one qualifying child, or
- \$28,495 if you have more than one qualifying child.

If you **do not** meet all the rules on page 5, then you do not qualify for the earned income credit. If you qualify for the credit, fill out Schedule EIC to provide information about your qualifying child and attach it to your Form 1040. Do not attach the EIC Worksheet to your return.

If line 7 includes any amount paid to an inmate in a penal institution for work, see *Earnings while an inmate at a penal institution* on page 9 for a special instruction.

If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, see *Household employees* on page 9 for a special instruction.

If you want the IRS to figure your credit, get Publication 967.



If Form 1040, line 7, includes an amount for a taxable scholarship or fellowship grant that was not reported on your Form W-2, enter the total line 7 amount on line 1 of the EIC Worksheet. Next, enter the amount of the taxable scholarship or fellowship grant (that was not reported on your W-2) on line 2 of the Form 1040 EIC Worksheet. Then subtract line 2 from line 1 and enter the result on line 3.



You cannot use Form 1040EZ if you have a qualifying child. If you qualify for the credit and have a qualifying child, you must complete the EIC Worksheet, Schedule EIC, and file either Form 1040 or Form 1040A.

Example—1040

David and Judy Brown have three children—Karl, age 3, and twins Trisha and Mary, age 1. The children lived with David and Judy for all of 1996. David worked and earned \$16,000. He also received \$1,500 in unemployment compensation. Judy made crafts and sold them at a flea market. Her net earnings from self-employment were \$350. In addition, they earned \$50 interest from a savings account.

Their total earned income is \$16,350 (\$16,000 + \$350). Their modified AGI is \$17,900 (\$16,000 + \$350 + \$1,500 + \$50). David and Judy will file a joint return using Form 1040. They qualify for the earned income credit and complete Schedule EIC and the EIC Worksheet. The Browns will attach Schedule EIC to Form 1040 when they send their completed return to IRS.

They take the following steps to complete the forms. Page 19 shows the Browns' completed Schedule EIC and EIC Worksheet.

TIP *If you have more than two qualifying children, list only two children on Schedule EIC.*

Step 1—Schedule EIC

The Browns complete Schedule EIC because they have qualifying children. They enter “David and Judy Brown” and David’s SSN on the line provided at the top of Schedule EIC. They enter the SSN that appears first on Form 1040. The Browns fill out *Information About Your Qualifying Child or Children* (lines 1–6). See *Social security number* on page 3.

Line 1. The Browns enter only Karl’s and Trisha’s names. They do not enter Mary’s name. However, Mary is still their qualifying child even though her name is not on Schedule EIC.

Line 2. The Browns enter the year of birth for Karl (1993) in the column “(a) Child 1” and for Trisha (1995) in the column “(b) Child 2.”

Lines 3a and 3b. The Browns skip these lines because the children were born after 1977.

Line 4. The Browns enter Karl’s and Trisha’s SSNs.

TIP *If your child was born in December 1996, you do not have to enter his or her SSN on line 4. Instead, enter “12/96” on line 4.*

Line 5. The Browns enter “son” for Karl and “daughter” for Trisha. This line shows the relationship of the children to the Browns.

Line 6. The Browns enter “12” for Karl and “12” for Trisha. This line shows how many months in 1996 the children lived with David and Judy.

TIP *Do not enter more than 12 on line 6. Count temporary absences, such as for school, vacation, or medical care, as time lived in your home. If the child lived with you for more than half of 1996 but less than 7 months, enter “7” on line 6.*

Step 2—EIC Worksheet

In Step 1 the Browns completed the information about their qualifying children. Next, they complete the EIC Worksheet to figure their earned income credit amount.

Line 1. The Browns enter David’s earned income (\$16,000) from Form 1040, line 7.

Line 2. The Browns leave this line blank because they did not have any taxable scholarship or fellowship grant income.

Line 3. They subtract line 2 from line 1 and enter \$16,000.

Line 4. Because all of David’s and Judy’s earned income is taxable, they leave this line blank.

Line 5. Because Judy was self-employed, she completed *Table 2. How to Figure Line 5 for the EIC Worksheet* and entered the result – \$350 – on line 5. Table 2 can be found on page 12. A filled-in Table 2 is not shown in this example.

Line 6. They add lines 3, 4, and 5 and enter \$16,350. This is their total earned income.

Line 7. To find the amount of their credit, the Browns go to the **Earned Income Credit Table** on page 36. They have two qualifying children on Schedule EIC—Karl and Trisha. They find their earned income of \$16,350 (from EIC Worksheet, line 6) in the range of \$16,350 to \$16,400. They follow this line across to the column “Two children” and find \$2,552. They enter \$2,552 on line 7.

		And you listed—		
		No children	One child	Two children
If the amount on the Form 1040 EIC Worksheet, line 6 or line 8, is—				
At least	But less than	Your credit is—		
16,300	16,350	0	1,399	2,563
16,350	16,400	0	1,391	2,552
16,400	16,450	0	1,383	2,542
16,450	16,500	0	1,375	2,531

Line 8. The Browns enter their modified AGI of \$17,900.

CAUTION *This amount, \$17,900, is the same as their AGI because the Browns did not have any of the types of income shown under Modified AGI (adjusted gross income) on page 13.*

Line 9. The Browns check the box for **NO** and follow the instruction because their modified AGI of \$17,900 is more than \$11,650. They again go to the **Earned Income Credit Table** to find the amount of their credit based on their modified AGI (EIC Worksheet, line 8). They find the \$17,900 in the range of \$17,900 to \$17,950. They follow this line across to the column “Two children” and find \$2,226. They enter \$2,226 on line 9.

If the amount on the Form 1040 EIC Worksheet, line 6 or line 8, is—		And you listed—		
		No children	One child	Two children
At least	But less than	Your credit is—		
17,900	17,950	0	1,143	2,226
17,950	18,000	0	1,135	2,216
18,000	18,050	0	1,127	2,205
18,050	18,100	0	1,119	2,194

Line 10. Because they checked **NO** on line 9, they compare the amounts on line 7 (\$2,552) and line 9 (\$2,226). They enter the smaller amount on line 10 and also on Form 1040, line 54. The \$2,226 is the Browns' earned income credit.

Part II. Persons Without a Qualifying Child

Part II is for persons who work and do not have a qualifying child. If you do not know if you have a qualifying child, see *Who Is a Qualifying Child* on page 6. If you have a qualifying child, go to *Part I. Persons With One or More Qualifying Children*.

If you do not have a child or if your child is not a qualifying child, then read this section to see if you meet the other rules to get the credit. Your credit amount, in this part, could be as much as \$323.



To get the credit, you must have correct SSNs for you and your spouse. See *Social security number* on page 3.



If you had a 1996 Form W-5 in effect before June 27, 1996, go to Part IV. Form W-5 Before June 27, 1996.

Who Can Claim the Credit?

Generally, if you are a nonresident alien for any part of the year, you cannot claim the credit. See *Nonresident alien* on page 4. If you do not have a qualifying child, then you must meet **all** of the following rules to claim the credit:

- 1) You must have earned income during the year.
- 2) Your earned income and modified AGI must each be less than \$9,500.
- 3) Your investment income cannot be more than \$2,200. See *Investment Income*, on page 6 for a definition.
- 4) Your filing status can be any filing status **EXCEPT** married filing a separate return. See *Married Persons Exception* on page 20.

- 5) You cannot be a qualifying child of another person. If you are filing a joint return, neither you nor your spouse can be a qualifying child of another person. See *Qualifying Child of Another Person* on page 21.
- 6) You (or your spouse, if filing a joint return) must be at least age 25 but under age 65 at the end of your tax year (usually December 31). See *Age Rule* on page 21.
- 7) You cannot be eligible to be claimed as a dependent on anyone else's return. If you are filing a joint return, neither you nor your spouse can be eligible to be claimed as a dependent on anyone else's return. See *Dependent Rule* on page 21.
- 8) Your main home (and your spouse's if filing a joint return) must be in the United States for more than half the year. For purposes of the earned income credit, U.S. military personnel stationed outside the United States on extended active duty are considered to live in the U.S. during that duty period. See *Main Home Rule* on page 21.
- 9) You are not filing Form 2555, *Foreign Earned Income*, or Form 2555-EZ, *Foreign Earned Income Exclusion*. These forms are filed to exclude from your gross income any income earned in foreign countries, or to deduct or exclude foreign housing amounts. See Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, for more information.



If you meet all these rules, fill out the EIC Worksheet to figure the amount of your credit. Remember, this Part II is only for persons without a qualifying child.

Enter "NO" next to line 54 (Form 1040), line 29c (Form 1040A), or line 8 (Form 1040EZ) if you **cannot** claim the credit because:

- 1) Your total taxable and nontaxable earned income was \$9,500 or more,
- 2) You (and your spouse if filing a joint return) were under age 25 or over age 64 at the end of your tax year,
- 3) Your home (and your spouse's if filing a joint return) was not in the United States for more than half the year,
- 4) You (or your spouse if filing a joint return) were a qualifying child of another person during the year, or
- 5) You (or your spouse if filing a joint return) do not have an SSN.

SCHEDULE EIC
(Form 1040A or 1040)

Earned Income Credit
(Qualifying Child Information)

OMB No. 1545-0047

1996

Department of the Treasury
Internal Revenue Service

Attach to Form 1040A or 1040.
See instructions on back.

Attachment
Sequence No. 43

Name(s) shown on return: First and initials: John and Janet Last: Smith Your social security number: 222 202 222

Before You Begin . . .

• See the instructions for Form 1040A, line 29c, or Form 1040, line 54, to find out if you can take this credit.

• If you can take the credit, fill in the Earned Income Credit Worksheet in the Form 1040A or Form 1040 instructions to figure your credit. But if you want the IRS to figure it for you, see instructions on back.

Then, you must complete and attach Schedule EIC only if you have a qualifying child (see boxes on back).

Information About Your Qualifying Child or Children

If you have more than two qualifying children, you only have to list two to get the maximum credit.

Caution: If you do not attach Schedule EIC and fill in all the lines that apply, it will take us longer to process your return and issue your refund.

	(a) Child 1		(b) Child 2	
	First name	Last name	First name	Last name
1 Child's name	<u>Amy</u>	<u>Smith</u>		
2 Child's year of birth	19 <u>94</u>		19 <u> </u>	
3 If the child was born before 1978 AND--				
a was under age 24 at the end of 1996 and a student, check the "Yes" box, OR	<input type="checkbox"/> Yes		<input type="checkbox"/> Yes	
b was permanently and totally disabled (see back), check the "Yes" box	<input type="checkbox"/> Yes		<input type="checkbox"/> Yes	
4 Enter the child's social security number. If born in December 1996, see instructions on back	<u>000000224</u>			
5 Child's relationship to you (for example, son, grandchild, etc.)	<u>Daughter</u>			
6 Number of months child lived with you in the United States in 1996	<u>12</u> months			

Do you want the earned income credit added to your take-home pay in 1997? To see if you qualify, get Form W-8 from your employer or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

For Paperwork Reduction Act Notice, see Form 1040A or 1040 instructions. Cat. No. 13326d Schedule EIC (Form 1040A or 1040) 1996

(Page references are to Form 1040A instructions.)

Earned Income Credit Worksheet—Line 29c (keep for your records)

Caution: If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, see Special Rules on page 32 before completing this worksheet. Also, see Special Rules if Form 1040A, line 7, includes any amount paid to an inmate in a penal institution.

1. Enter the amount from Form 1040A, line 7	1. <u>11,000</u>
2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here	2. <u> </u>
3. Subtract line 2 from line 1	3. <u>11,000</u>
4. Enter any nontaxable earned income (see page 31). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form	4. <u> </u>
5. Add lines 3 and 4	5. <u>11,000</u>
6. Look up the amount on line 5 above in the EIC Table on pages 32-34 to find your credit. Enter the credit here	6. <u>2,152</u>
If line 6 is zero, stop. You cannot take the credit. Print "NO" next to line 29c of Form 1040A.	
7. Enter the amount from Form 1040A, line 16	7. <u>11,000</u>
8. Is line 7 less than--	
• \$5,300 if you do not have a qualifying child?	
• \$11,650 if you have at least one qualifying child?	
<input checked="" type="checkbox"/> Yes. Go to line 9 now.	
<input type="checkbox"/> No. Look up the amount on line 7 above in the EIC Table on pages 32-34 to find your credit. Enter the credit here	8. <u> </u>
9. Earned income credit.	
• If you checked "Yes" on line 8, enter the amount from line 6.	9. <u>2,152</u>
• If you checked "No" on line 8, enter the smaller of line 6 or line 8.	

Next: Take the amount from line 9 above and enter it on Form 1040A, line 29c.

AND

If you had any nontaxable earned income (see line 4 above), enter the amount and type of that income in the spaces marked "amount" and "type" below line 29c.

AND

Complete Schedule EIC and attach it to your return ONLY if you have a qualifying child.

Note: If you included the alternative minimum tax on line 28, subtract it from the amount on line 9 above. Then, enter the result (if more than zero) on Form 1040A, line 29a. Also, replace the amount on line 9 above with the amount entered on Form 1040A, line 29c.

Department of the Treasury
Internal Revenue Service

See instructions on back.

Name(s) shown on return: First and middle Last Your social security number
David and Judy Brown 833,003,333

Before You Begin . . .

- See the instructions for Form 1040A, line 29c, or Form 1040, line 54, to find out if you can take this credit.
- If you can take the credit, fill in the Earned Income Credit Worksheet in the Form 1040A or Form 1040 instructions to figure your credit. But if you want the IRS to figure it for you, see instructions on back. Then, you must complete and attach Schedule EIC only if you have a qualifying child (see boxes on back).

Information About Your Qualifying Child or Children

If you have more than two qualifying children, you only have to list two to get the maximum credit.

Caution: If you do not attach Schedule EIC and EIC in all the lines that apply, it will take us longer to process your return and issue your refund.

	(a) Child 1		(b) Child 2	
	First name	Last name	First name	Last name
1 Child's name	<u>Karl</u>	<u>Brown</u>	<u>Trisha</u>	<u>Brown</u>
2 Child's year of birth	<u>1993</u>		<u>1993</u>	
3 If the child was born before 1978 AND—				
a was under age 26 at the end of 1995 and a student, check the "Yes" box, OR	<input type="checkbox"/> Yes		<input type="checkbox"/> Yes	
b was permanently and totally disabled (see back), check the "Yes" box	<input type="checkbox"/> Yes		<input type="checkbox"/> Yes	
4 Enter the child's social security number. If born in December 1995, see instructions on back	<u>010101012345</u>		<u>010101013211</u>	
5 Child's relationship to you (for example, son, grandchild, etc.)	<u>Son</u>		<u>Daughter</u>	
6 Number of months child lived with you in the United States in 1995	<u>12</u> months		<u>12</u> months	

Do you want the earned income credit added to your take-home pay in 1997? To see if you qualify, get Form W-6 from your employer or by calling the IRS at 1-800-TAX-FORM (1-800-829-3878).

For Paperwork Reduction Act Notice, see Form 1040A. Cat. No. 12239A Schedule EIC (Form 1040A or 1040) 1996

(Page references on Worksheet are to Form 1040 instructions.)

Earned Income Credit Worksheet—Line 54
(Keep for your records)

Caution: If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,500 in 1995 or you were a member of a religious order, see Special Rules on page 27 before completing this worksheet. Also, see Special Rules if Form 1040, line 7, includes any amount paid to an employer in a past obligation.

1. Enter the amount from Form 1040, line 7 16,000

2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here 16,000

3. Subtract line 2 from line 1 0

4. Enter any nontaxable earned income from the next page. Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form 0

5. If you were self-employed or used Schedule C or C-82 as a statutory employee, enter the amount from the worksheet on page 27 350

6. Add lines 3, 4, and 5 16,350

7. Look up the amount on line 6 above in the EIC Table on pages 28-29 to find your credit. Enter the credit here 2,552

If line 7 is zero, stop. You cannot take the credit. Enter "No" next to Form 1040, line 54.

8. Enter your modified AGI (see page 27) 17,900

9. Is line 8 less than—

- \$5,000 if you do not have a qualifying child?
- \$11,000 if you have at least one qualifying child?

Yes. Go to line 10 next.

No. Look up the amount on line 8 above in the EIC Table on pages 28-29 to find your credit. Enter the credit here 2,226

10. Earned income credit.

- If you checked "Yes" on line 9, enter the amount from line 7.
- If you checked "No" on line 9, enter the smaller of line 7 or line 9 2,226

Then, take the amount from line 10 above and enter it on Form 1040, line 54.

AND
If you had any nontaxable earned income less line 4 above, enter the amount and type of that income in the spaces provided on line 54.

AND
Complete Schedule EIC and attach it to your return ONLY if you have a qualifying child.

Note: If you owe the alternative minimum tax (Form 1040, line 45), subtract it from the amount on line 10 above. Then, enter the result (if more than zero) on Form 1040, line 54. Also, replace the amount on line 10 above with the amount entered on Form 1040, line 54.

Rules Explained

In this section you will find explanations and examples for some of the rules that are listed under *Who Can Claim the Credit* for persons who do not have a qualifying child. The following rules are discussed:

- Married Persons Exception
- Qualifying Child of Another Person
- Age Rule
- Dependent Rule
- Main Home Rule

When Is Your Child Not a Qualifying Child?

To be a qualifying child, a child must meet three tests and have a social security number (see *Social Security number* on page 3). The three tests are:

- Relationship,
- Residency, and
- Age.

If your child does not meet all three tests, then the child is not a qualifying child. If your child is not a qualifying child, you may be able to get the earned income credit under the rules in this part of the publication. See *Who Is a Qualifying Child* on page 6.

Married Persons Exception

Married persons living apart usually must file a joint return to claim the earned income credit. Even though you are married, you may file as head of household if:

- 1) Your spouse did not live in your home at any time during the last 6 months of the year,
- 2) You paid more than half the cost to keep up your home for the entire year, and
- 3) Your home was, for more than half of the year, the main home of your child, adopted child, stepchild, or foster child. You also must be entitled to claim an exemption for your child.

You will meet (3) even if you cannot claim an exemption for your child because:

- You released your claim in writing to the other parent by filling out **Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents** or similar written statement.
- There is a pre-1985 agreement (decree of divorce or separate maintenance or written agreement) granting the exemption to your child's other parent.

If the child who qualifies you for head of household status also meets the requirements of your qualifying child, you cannot take the credit under Part II.

Example 1. You are married and lived apart from your spouse all year. You earned \$8,000 and your 19-year-old son lived with you all year. You provided more

than half the cost of maintaining your home. Your son had a part-time job and earned \$2,000. He was not a full-time student or permanently and totally disabled. You qualify for the "head of household" filing status and claim your son as a dependent. You can get the earned income credit under the rules in Part II. You cannot get the larger credit amount in Part I because your son does not meet the age test for a qualifying child. Your son is 19, not a full-time student, and is not permanently and totally disabled. Even though your son is your dependent, he is not your qualifying child when figuring the earned income credit.

Example 2. The facts are the same as in Example 1, except your son is 18. In that case, your son is your dependent and a qualifying child. You would qualify for the credit under the rules in Part I and not under the rules in Part II because your son is your qualifying child.

Qualifying Child of Another Person

If you (or your spouse if filing a joint return) are a qualifying child of another person, you cannot claim the earned income credit.

Are you a qualifying child? Basically, you are a qualifying child if:

- You are a son, daughter, adopted child, grandchild, or foster child of someone,
- At the end of the year you were under age 19, under age 24 and a full-time student, or permanently and totally disabled at any age, **and**
- You lived with someone (parent, guardian, foster parent, etc.) in the United States for more than half of the year (all year if you were a foster child). U.S. military personnel stationed outside the United States on extended active duty are considered to live in the U.S.

See *Who Is a Qualifying Child* on page 6 if you need further information.

Example. You lived with your mother during the year. You are age 26 and permanently and totally disabled. Your only income was from a community center where you went twice a week to answer telephones. You were paid a small fee of \$1,500 for the year. Your mother worked and earned \$16,000.

You are a qualifying child for your mother. She can claim the earned income credit if she meets all the other rules. Because you are a qualifying child of your mother, you cannot claim the earned income credit.

Age Rule

You must be at least age 25 but under age 65 at the end of your tax year. If you are married filing a joint return, either you or your spouse must be at least age 25 but under age 65 at the end of your tax year. It does not matter which spouse meets the age rule, as long as one of

the spouses does. The end of the tax year for most people is December 31.

Example 1. You are single, age 28, and do not have any children. You meet the “Age Rule” for claiming the earned income credit in Part II.

Example 2. You are married and will file a joint return. You are age 23 and your spouse is age 27. You meet the “Age Rule” for claiming the earned income credit because your spouse is at least age 25 but under age 65.

Example 3. You are married and will file a joint return. You are age 62 and your spouse is 66. You meet the “Age Rule” for claiming the earned income credit because you are at least age 25 but under age 65.

Example 4. You are married and file a joint return. You worked and your spouse was a full-time student. You are age 29 and your spouse is age 24. You meet the age test because you are at least 25 but under 65. It does not matter if only one of you has earned income. As long as you meet all the other rules, you can still get the credit.

Dependent Rule

You must be able to claim an exemption for yourself (and your spouse if filing a joint return) on your tax return. If someone else can claim you (or your spouse if filing a joint return) as a dependent on their return, you cannot claim the earned income credit. If someone else can claim you (or your spouse if filing a joint return) as a dependent on their return but does not, you still cannot claim the credit.

Example 1. You are age 25, single, and living at home with your parents. You work and are not a student. You earned \$7,500. Your parents cannot claim you as a dependent. When you file your return, you claim an exemption for yourself. Therefore, you meet the “Dependent Rule.”

Example 2. You are age 25, single, and living at home with your parents. You work and earned \$2,000. Your parents can claim you as a dependent but decide not to. You cannot claim the credit because your parents could have claimed you as a dependent.

Example 3. You file as head of household. Your mother is your dependent. You maintain your own home. You worked and earned \$8,500. No one can claim you as a dependent. You claim an exemption for yourself when you file your return. You meet the “Dependent Rule.”

Main Home Rule

Your main home (and your spouse’s if filing a joint return) must be in the United States for more than half the year. Your main home can be **any location** where you regularly live. For example, some homeless individuals live in shelters. Such individuals are entitled to claim the credit if they also meet all the other rules for eligibility.

Military Personnel

U.S. military personnel stationed outside the United States on extended active duty are considered to live in the U.S. during that duty period for purposes of the earned income credit.

Extended active duty. Extended active duty means you are called or ordered to duty for an indefinite period or for a period of more than 90 days. Once you begin serving your extended active duty, you are still considered to have been on extended active duty even if you serve less than 90 days.



See *Publication 3, Armed Forces Tax Guide*, for more information and examples on claiming the earned income credit.

What Is Earned Income

You have just learned about some of the rules you must meet if you want to claim the earned income credit. Another rule you must meet to get the credit is to have earned income. There are two ways to get earned income.

- 1) You work for someone who pays you, or
- 2) You work in a business you own.

That’s why this credit is called the earned income credit. What is “earned income?” This section will explain what counts as earned income in order to get the earned income credit. For examples of what is or is not earned income see *Table 3*. The paragraphs that follow will explain some items that are considered earned income when figuring the credit.

Earned income that is not taxed. As you can see, *Table 3* includes some examples of earned income that is not taxed. Earned income that is not taxed still counts as earned income when figuring the amount of your earned income credit.

To figure the earned income credit, you add the amounts of earned income that are not taxed to any amounts of taxable earned income you received during the year. You do this by putting the amount of your earned income that is not taxed on line 4 of the EIC Worksheet in the form instructions for:

- Form 1040 and enter the type and amount in the spaces next to line 54,
- Form 1040A and enter the type and amount in the spaces next to line 29c, or
- Form 1040EZ and enter the type and amount in the spaces next to line 8.

Special note for military personnel. Pay earned in a combat zone, basic quarters and subsistence allowances, and the value of in-kind quarters and subsistence are all earned income that is not taxed but must

Table 3. Examples of Earned Income When Figuring the Earned Income Credit

Earned Income	
Includes:	Does not include:
<p>TAXABLE EARNED INCOME (Enter on EIC Worksheet, Line 1)*</p> <p>Wages, salaries, and tips</p> <p>Union strike benefits</p> <p>Long-term disability benefits received prior to minimum retirement age</p> <p>Net earnings from self-employment (enter on line 5 of the Form 1040 EIC Worksheet)</p>	<p>Interest and dividends</p> <p>Social security and railroad retirement benefits</p> <p>Welfare benefits</p> <p>Pensions or annuities</p> <p>Veterans' benefits (including VA rehabilitation payments)</p> <p>Workers' compensation benefits</p> <p>Alimony</p>
<p>NONTAXABLE EARNED INCOME (Enter on line 4 of the EIC Worksheet)*</p> <p>* Voluntary salary deferrals (for example: under a 401(k) plan or the Federal Thrift Savings Plan)</p> <p>* Pay earned in a combat zone (box 13, code Q, of your W-2)</p> <p>* Basic quarters and subsistence allowances and in-kind quarters and subsistence for the U.S. Military (box 13, code Q, of your W-2)</p> <p>* The value of meals or lodging provided by an employer for the convenience of the employer</p> <p>* Housing allowance or rental value of a parsonage for the clergy (see "Ministers and members of religious orders")</p> <p>* Excludable dependent care benefits (line 19 of either Form 2441 or Schedule 2)</p> <p>* Voluntary salary reductions such as under a cafeteria plan</p> <p>Anything else of value you get from someone for services you performed even if it is not taxable</p>	<p>Child support</p> <p>Unemployment compensation (insurance)</p> <p>Taxable scholarship or fellowship grants that are not reported on Form W-2</p> <p>Variable housing allowance for the military</p> <p>Earnings for work performed while an inmate at a penal institution</p>
<p>* If you want IRS to figure your credit for you, enter the amount and type of your nontaxable earned income on line 8 (Form 1040EZ), line 29c (Form 1040A), or line 54 (Form 1040). For more information see, "IRS Will Figure Your Credit for You," in this publication.</p>	

be used when you figure the earned income credit. These amounts will be on your W-2 in box 13 under code "Q." See Publication 3 for more detailed information.

Disability payments. If you retired on disability, payments you receive are considered earned income until

you reach minimum retirement age. Minimum retirement age generally is the earliest age at which you can receive a pension or annuity if you are not disabled. You must report your taxable disability payments on line 7 of either Form 1040 or Form 1040A until you reach minimum retirement age.

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension and are not considered earned income. Report taxable pension payments on Form 1040, lines 16a and 16b (or Form 1040A, lines 11a and 11b).

Cafeteria plans. If your employer offers a benefit plan that allows you to “pick and choose” among two or more benefits consisting of cash and certain employee benefits that are not taxed, you are probably participating in a cafeteria plan. Some of the benefits that may be offered include:

- Accident or health insurance
- Dependent care assistance.

If you choose a benefit that is not taxed (such as accident and health insurance) and agree to a voluntary salary reduction for the benefit, the amount of the salary reduction is earned income when figuring this credit.

Community property laws. If you live in a state that has community property laws for married persons, do not follow those community property laws when using your earned income to figure your earned income credit.

Earnings while an inmate at a penal institution. Amounts paid to inmates in penal institutions for their work are not earned income when figuring the earned income credit. If the total line 7 (Form 1040 or 1040A) or line 1 (Form 1040EZ), includes such income, subtract that income from the total on line 7 (Form 1040 or 1040A) or line 1 (Form 1040EZ). Enter the result on line 1 of the EIC Worksheet in your tax package. Also, enter “PRI” and the amount subtracted next to line 7 (Form 1040 or 1040A) or to the right of the words “W-2 form(s)” of line 1 (Form 1040EZ).

Household employees. If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, be sure to include the amount you were paid on line 7 (Form 1040 or 1040A) or line 1 (Form 1040EZ). Enter “HSH” and the amount not reported on Form W-2 on next to line 7 (Form 1040 or 1040A) or to the right of the words “W-2 form(s)” of line 1 (Form 1040EZ).

Native Americans. Native Americans who receive income exempt from federal income tax under the Internal Revenue Code or because of a treaty, agreement, Act of Congress, or other Federal law may qualify for the earned income credit. The requirements for claiming the earned income credit for Native Americans are the same as those for everyone else.

One of the requirements for the earned income credit is that you must have “earned income.” All wages, salaries, tips, and other employee compensation are earned income, even if they are not taxed. Thus, nontaxable treaty, etc., income is earned income if it is compensation for services performed as an employee. However,

nontaxable income received for performing services as a self-employed individual is not earned income when figuring the earned income credit.

Important note. If you are not self-employed, a statutory employee (explained on page 25), or a minister or member of a religious order, skip *If you own your business* and begin reading the section called *How To Figure the Credit* on page 25.

If you own your business. If you own your business, you are self-employed. You must include your net earnings from self-employment in earned income, even if the amount is less than \$400. Net earnings is the amount you get after you subtract your business expenses and half of your self-employment taxes from your business gross (total) income. If this figure is a net loss, you must subtract the loss from your total earned income.



If you are self-employed and your net earnings are \$400 or more, be sure to correctly fill out Schedule SE (Form 1040), Self-Employment Tax, and pay the proper amount of self-employment tax. If you do not, you may not get all the credit you are entitled to.

You may figure the amount of your net earnings by using either the regular or optional methods shown on Schedule SE (Form 1040). Publication 533, *Self-Employment Tax*, and the instructions for Schedule SE explain these methods. If you are eligible to choose the optional method, you may use up to \$1,600 as the amount of earned income.

Example. You had \$20,000 in gross farm income and a net farm **loss** of \$5,000 for the year. You had no other income. Since your gross farm income was more than \$2,400 and your net earnings (a loss of \$5,000) from farming was less than \$1,733, you can choose the farm optional method of figuring self-employment tax.

Even though you had a net loss for the year, you could enter \$1,600 as net earnings from self-employment on Schedule SE. The \$1,600 is earned income when used in figuring the earned income credit.

Net earnings from self-employment. Your net earnings from self-employment are earned income. Net earnings can be found on Schedule SE, Section A, line 3, or Section B, line 3, and 4b. From this amount you must subtract the amount you claimed (or should have claimed) on Form 1040, line 25. This net amount is your earned income to use in figuring the earned income credit. If you do not have to file Schedule SE (because your net earnings from self-employment minus half of your self-employment tax are under \$400), include the net amount in earned income on line 5 of the EIC Worksheet in the Form 1040 instructions. However, see *Table 4*, to figure the amount to enter on line 5 of the EIC Worksheet.

Table 4. If you were self-employed or you reported your income and expenses on Schedule C (or Schedule C-

EZ) as a statutory employee, use *Table 4* to figure the amount to enter on line 5 of the EIC Worksheet in the Form 1040 instructions.

Table 4. How to Figure Line 5 of the EIC Worksheet

(Keep for your records)

If filing a joint return and your spouse was also self-employed or reported income and expenses on Schedule C or C-EZ as a statutory employee, add your spouse's amounts to yours to figure the amounts to enter below.

- 1. If you are filing Schedule SE:**
 - a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies **1a.** _____
 - b. Enter the amount, if any, from Schedule SE, Section B, line 4b **1b.** _____
 - c. Add lines 1a and 1b **1c.** _____
 - d. Enter the amount from Form 1040, line 25 **1d.** _____
 - e. Subtract line 1d from line 1c **1e.** _____
- 2. If you are NOT required to file Schedule SE (for example, because your net earnings from self-employment were less than \$400),** complete lines 2a through 2c. But **do not** include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of **Form 4029 or 4361.**
 - a. Enter any net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a **2a.** _____
 - b. Enter any net profit or (loss) from Schedule C, line 31, Schedule C-EZ, line 3, and Schedule K-1 (Form 1065), line 15a (other than farming) **2b.** _____
 - c. Add lines 2a and 2b. Enter the total even if a loss **2c.** _____
- 3. If you are filing Schedule C or C-EZ as a statutory employee,** enter the amount from line 1 of that Schedule C or C-EZ **3.** _____
- 4.** Add lines 1e, 2c, and 3. Enter the total here and on line 5 of the EIC Worksheet, even if a loss. If the result is a loss, enter it in parentheses and read the **Caution** below **4.** _____

Caution: *If line 5 of the EIC Worksheet is a loss, subtract it from the total of lines 3 and 4 of that worksheet and enter the result on line 6 of that worksheet. If the result is zero or less, you **cannot** take the earned income credit.*

Ministers and members of religious orders. If you can claim the earned income credit and file Schedule SE and the amount on line 2 of that schedule includes

an amount that was also reported on Form 1040, line 7, follow these special rules.

- 1) Print “**Clergy**” to the right of line 54, Form 1040.
- 2) Determine how much of the income reported on Form 1040, line 7, was also reported on Schedule SE, line 2.
- 3) Subtract that income from the amount on Form 1040, line 7. Enter only the difference on the EIC Worksheet, line 1.
- 4) Complete Table 4 to determine the amount to enter on the EIC Worksheet, line 5 in the Form 1040 instructions.

If you received a housing allowance or were provided housing, **do not** include the allowance or rental value of the parsonage as nontaxable earned income on the EIC Worksheet, line 4 in the Form 1040 instructions (or in the spaces provided on line 54). This income should already be included on Schedule SE, line 2.

Statutory employee. Statutory employees are generally considered self-employed. However, the amounts received by statutory employees have social security and Medicare taxes withheld. For purposes of the earned income credit, statutory employees are treated as employees. Therefore, the gross (total) amount received from employment is included in earned income. The four types of statutory employees are:

- 1) An agent (or commission) driver who delivers food, beverages (other than milk), laundry, or dry cleaning for someone else.
- 2) A full-time life insurance salesperson.
- 3) A homemaker who works by the guidelines of the person for whom the work is done, with materials furnished by and returned to that person or to someone that person designates.
- 4) A traveling or city salesperson (other than an agent-driver or commission-driver) who works full time (except for sideline sales activities) for one firm or person getting orders from customers. The order must be for items for resale or use as supplies in the customer’s business. The customers must be retailers, wholesalers, contractors, or operators of hotels, restaurants, or other businesses dealing with food or lodging.

If you were a statutory employee and you reported your income and expenses on Schedule C (Form 1040) (or Schedule C–EZ), your earned income includes the amount on line 1 of Schedule C (or Schedule C–EZ).

If you need further information about statutory employees, see Publication 15–A, *Employer’s Supplemental Tax Guide*.

Approved Form 4361 and Form 4029. This section is for persons who have an approved:

- Form 4361, *Application for Exemption from Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners*, or
- Form 4029, *Application for Exemption from Social Security and Medicare Taxes and Waiver of Benefits*.

Each approved form exempts certain income from the self-employment tax. Each form is discussed in this section in terms of what is or is not earned income for purposes of the earned income credit.

Form 4361. If you have an approved Form 4361, amounts you received for performing ministerial duties as an employee are earned income. This includes wages, salaries, tips, and other employee compensation. Other employee compensation includes nontaxable compensation such as housing allowances or the rental value of a parsonage that you receive as part of your pay for services as an employee.

Amounts you received in the exercise of ministerial duties, but not as an employee, are not earned income. Examples include fees for performing marriages and honoraria for delivering speeches.

Any compensation you received from an undertaking unrelated to the ministry is earned income. This is so, whether you received the amounts as an employee or as a self-employed individual.

Form 4029. If you have an approved Form 4029, all wages, salaries, tips, and other employee compensation are earned income. Amounts you received as a self-employed individual are not earned income. Also, losses from Schedule C, C–EZ, or F cannot be subtracted from wages on line 7 of Form 1040.

How To Figure the Credit

Once you know that you qualify for the earned income credit, you need to know how to figure the amount of the credit. You have two choices of how to figure the credit.

- 1) Have the IRS figure the credit for you. If you would like to do this, see *IRS Will Figure Your Credit for You*, on page 26, or
- 2) If you want to figure the credit yourself, complete the EIC Worksheet and enter the amount of the credit on line 54 (Form 1040), line 29c (Form 1040A), or on line 8 (Form 1040EZ).

Earned income credit table. You use this table and the column (No children) to find the amount of your credit. The table begins on page 36.

Modified AGI (adjusted gross income). You need to know your earned income and modified AGI when figuring your credit amount. Your credit amount depends on how many qualifying children you have, how much you earn, and your modified AGI. In many cases your modified AGI will be the same figure as your AGI. AGI includes items such as taxable social security benefits and unemployment benefits.

Modified AGI for most people filing Form 1040, 1040A, or 1040EZ is the same as AGI. AGI is the amount on line 31 (Form 1040), line 16 (Form 1040A), and line 4 (Form 1040EZ). But if you are filing Schedule C, C-EZ, D, E, or F, your modified AGI is the amount on Form 1040, line 31, **plus** the total of the following amounts. If you are claiming a loss from the rental of personal property not used in a trade or business, also add that loss to the amount on Form 1040, line 31.

- Any losses claimed on Form 1040, line 13.
- Any losses claimed on Schedule E, line 36.
- Any royalty loss included on Schedule E, line 26.
- One-half of **each** of the following losses:
 - a) Any loss on Form 1040, line 12.
 - b) Any loss on Form 1040, line 18.
 - c) Any loss determined by combining any rental real estate income or (loss) included on Schedule E, line 26, and the amounts on lines 31 and 39 of that schedule. Do not take into account items which are attributable to a trade or business which consists of the performance of services by the taxpayer as an employee.



If you had a 1996 Form W-5 in effect before June 27, 1996, go to Part IV. Form W-5 Before June 27, 1996.

Alternative minimum tax (AMT). The tax laws give special treatment to some kinds of income and expenses. This special treatment could substantially reduce or eliminate an individual's income tax. So that taxpayers who benefit from these laws will pay at least a minimum amount of tax, there is a special tax called the AMT.

You may have to pay the AMT if your taxable income for regular tax purposes, combined with any of the adjustments and preference items that apply to you, totals more than:

- **\$45,000** if you are married filing a joint return (or a qualifying widow(er) with dependent child)
- **\$33,750** if your filing status is head of household or single

You **must** reduce your earned income credit by the amount of any AMT you have for the tax year.

Form 1040 and the AMT. If you file Form 1040 and included AMT on line 46, reduce the amount which you enter on line 10 of the Form 1040 EIC Worksheet by the amount on line 46 of Form 1040. Next, enter the result (if more than zero) on Form 1040, line 54. Then replace the amount on the Form 1040 EIC Worksheet, line 10, with the amount entered on Form 1040, line 54.

Form 1040A and the AMT. If you file Form 1040A and included AMT on line 28, subtract your AMT from the amount on line 9 of the Form 1040A EIC Worksheet.

Next, enter the result (if more than zero) on Form 1040A, line 29c. Then replace the amount on the Form 1040A EIC Worksheet, line 9, with the amount entered on Form 1040A, line 29c. See Form 6251, *Alternative Minimum Tax—Individuals*, for more information.

IRS Will Figure Your Credit for You

There are certain instructions you must follow before IRS can figure the credit for you.

Form 1040. If you are filing Form 1040 and you want the IRS to figure the credit for you, you must fill out parts of Form 1040 and:

- 1) Enter any advance earned income credit payments received in 1996 on line 49,
- 2) Print **EIC** next to line 54. Also, if you have any earned income that is not taxed, enter the amount and type of income in the spaces on line 54. See Table 3 on page 23 for examples of earned income that is not taxed.
- 3) If line 7 includes an amount for work performed while an inmate in a penal institution, print "PRI" and the amount received (if any) next to line 7.
- 4) If you were a household employee and did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, print "HSH" and the amount not reported on a Form W-2 next to line 7. Also include the amount you were paid in the total for line 7.

To see which lines on Form 1040 you must fill out, get Publication 967, *The IRS Will Figure Your Tax*.

Form 1040A. If you are filing Form 1040A and you want the IRS to figure the credit for you, you must:

- 1) Fill in the parts of Form 1040A through line 22 that apply to you.
- 2) If you file a joint return, use the space to the left of line 22 to separately show your own and your spouse's taxable income.
- 3) Complete lines 24a, 24b, 26, 27, 29a, 29b, and any write-ins on line 29d, if they apply to you. If you received any advance earned income credit payments, show the amount of the payment on line 26.
- 4) Attach the first copy or Copy B of all your W-2 and 1099-R forms that show federal income tax withheld.
- 5) Fill in and attach any schedules or forms asked for on the lines you completed.
- 6) Print "**EIC**" next to line 29c. Also, if you have earned income that is not taxed, enter the amount and type of income in the spaces provided. See Table 3 on page 23 for examples of earned income that is not taxed.

- 7) If line 7 includes an amount for work performed while an inmate in a penal institution, print "PRI" and the amount received (if any) next to line 7.
- 8) If you were a household employee and did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, print "HSH" and the amount not reported on Form W-2 next to line 7. Also include the amount you were paid in the total for line 7.
- 9) Sign and date your return (both spouses must sign a joint return), enter your occupations, and file your return by April 15, 1997.

Form 1040EZ. If you are filing Form 1040EZ and you want the IRS to figure the credit for you, you must:

- 1) Fill in lines 1-7.
- 2) If you file a joint return, use the space under the "Note" to the left of line 6 to separately show your own and your spouse's taxable income.
- 3) Fill in the type and amount of any nontaxable earned income in the spaces "Type" and "\$" next to line 8.
- 4) If you can claim the credit, print "EIC" on line 8 in the space to the right of the words "earned income below."
- 5) If line 1 includes an amount for work performed while an inmate in a penal institution, print "PRI" and the amount to the right of the words "W-2 form(s)" of line 1.
- 6) If you were a household employee and did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, print "HSH" and the amount to the right of the words "W-2 form(s)" of line 1. Also include the amount you were paid in the total for line 1.
- 7) Attach the first copy or Copy B of all your W-2 forms.
- 8) Sign and date your return, enter your occupation and file your return by April 15, 1997. If filing a joint return, both spouses must sign.

How To Figure the Credit Yourself

There are certain instructions you must follow if you want to figure the credit yourself.

Form 1040A and EIC Worksheet

Figure the amount of your credit on the EIC Worksheet if you meet all the rules on page 17 and your total earned income (line 7, Form 1040A) and your modified AGI are each less than \$9,500. Do not attach the EIC Worksheet to your return. Schedule EIC is completed only if you have a qualifying child.

If you **do not** meet all the rules, then you do not qualify for the earned income credit.

If line 7 includes any amount paid to an inmate in a penal institution for work, see *Earnings while an inmate at a penal institution* on page 22 for a special instruction.

If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, see *Household employees* on page 22 for a special instruction.



If Form 1040A, line 7, includes an amount from a taxable scholarship or fellowship grant that was not reported on your Form W-2, enter the total Form 1040A line 7 amount on line 1 of the EIC Worksheet. Next, enter the amount of the taxable scholarship or fellowship grant (that was not reported on your W-2) on line 2 of the EIC Worksheet. Then subtract line 2 from line 1 and enter the result on line 3.

Form 1040 and EIC Worksheet

Figure the amount of your credit on the EIC Worksheet if you meet the rules on page 17 and your total earned income (line 7, Form 1040) and your modified AGI are each less than \$9,500. Do not attach the EIC Worksheet to your return.

If you **do not** meet all the rules, then you do not qualify for the earned income credit.

If line 7 includes any amount paid to an inmate in a penal institution for work, see *Earnings while an inmate at a penal institution* on page 22 for a special instruction.

If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, see *Household employees* on page 22 for a special instruction.



If Form 1040, line 7, includes an amount for a taxable scholarship or fellowship grant that was not reported on your Form W-2, enter the total Form 1040 line 7 amount on line 1 of the EIC Worksheet. Next, enter the amount of the taxable scholarship or fellowship grant (that was not reported on your W-2) on line 2 of the EIC Worksheet. Then subtract line 2 from line 1 and enter the result on line 3.

Form 1040EZ and EIC Worksheet

Figure the amount of your credit on the Form 1040EZ EIC Worksheet if you meet the rules on page 17 and your total earned income (line 1, Form 1040EZ) and your modified AGI are each less than \$9,500. Do not attach the EIC Worksheet to your Form 1040EZ return. See the examples that follow.

If you **do not** meet all the rules, then you do not qualify for the earned income credit.

If line 1 includes any amount paid to an inmate in a penal institution for work, see *Earnings while an inmate*

at a penal institution on page 22 for a special instruction.

If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, see *Household employees* on page 22 for a special instruction.



CAUTION If Form 1040EZ, line 1, includes an amount for a taxable scholarship or fellowship grant that was not reported on your Form W-2, enter the total Form 1040EZ line 1 amount on line 1 of the EIC Worksheet. Next, enter the amount of the taxable scholarship or fellowship grant (that was not reported on your W-2) on line 2 of the EIC Worksheet. Then subtract line 2 from line 1 and enter the result on line 3.



TIP If you have a qualifying child, you cannot use Form 1040EZ.

Example 1—Form 1040EZ

Sharon Rose is age 63 and retired. She received \$7,000 of social security during the year. She earned \$4,850 from a part-time job. She had no other income. Sharon lived in the United States for the entire year and cannot be claimed as a dependent on anyone else's return. Her children are grown and support themselves. She qualifies for the earned income credit and will complete the EIC Worksheet to figure her credit.

Sharon does not have to file a tax return. However, in order to get the earned income credit, she must file a return and complete the EIC Worksheet. Sharon will file Form 1040EZ and complete the EIC Worksheet. Her completed EIC Worksheet is on page 30.

Completing the EIC Worksheet

Sharon figures the amount of her earned income credit on the *Earned Income Credit Worksheet* as follows:

Line 1. She enters \$4,850 from Form 1040EZ, line 1 here.

Line 2. Sharon leaves this line blank because she did not receive any taxable scholarships or fellowship grants.

Line 3. She subtracts line 2 from line 1 and enters \$4,850 here.

Line 4. Sharon leaves this line blank because she does not have any nontaxable earned income. Her social security (\$7,000) is not earned income and is not taxable. Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*, has information about the taxability of social security benefits.

Line 5. She adds lines 3 and 4 and enters \$4,850 here. This is her total earned income.

Line 6. To find her credit, Sharon goes to the *Earned Income Credit Table* on page 36. She finds her earned income of \$4,850 (from line 5 above) in the range of \$4,850 to \$4,900. Sharon follows this line across to the

column "No children" and finds \$323. She enters \$323 on line 6.

If the amount on the Form 1040EZ EIC Worksheet, line 5 or line 7, is—		And you listed—		
		No children	One child	Two children
At least	But less than	Your credit is—		
4,800	4,850	323	1,641	1,930
4,850	4,900	323	1,658	1,950
4,900	4,950	323	1,675	1,970
4,950	5,000	323	1,692	1,990

Line 7. She enters \$4,850 from Form 1040EZ, line 4. Modified AGI on Form 1040EZ is the same as AGI.

Line 8. Sharon checks the box for **No** and follows the instruction because her modified AGI of \$4,850 is less than \$5,300.

Line 9. Because Sharon checked the **NO** box for line 8, she enters \$323 from line 6 here and on Form 1040EZ, line 8. The \$323 is Sharon's earned income credit.

Example 2—Form 1040EZ

Kelly Green is age 30 and a full-time student. She lived with her parents in the United States for all of 1996. She had a part-time job and earned \$6,040. She earned \$20 interest on a savings account. She is not a dependent on her parents' return because she does not meet the gross income test. She does not have any children. Kelly qualifies for the earned income credit. Kelly will file Form 1040EZ and complete the Form 1040EZ EIC Worksheet. Her completed EIC Worksheet is on page 31.

Completing the EIC Worksheet

Kelly figures the amount of her earned income credit on the *Earned Income Credit Worksheet* as follows:

Line 1. She enters \$6,040 from Form 1040EZ, line 1 here.

Line 2. Kelly leaves this line blank because she did not receive any taxable scholarships or fellowship grants.

Line 3. Kelly subtracts line 2 from line 1 and enters \$6,040 here.

Line 4. Kelly leaves this line blank because all her income is taxable.

Line 5. She adds lines 3 and 4 and enters \$6,040 here. This is her total earned income.

Line 6. To find her credit, Kelly goes to the *Earned Income Credit Table* on page 36. She finds her earned income of \$6,040 (from line 5 above) in the range of \$6,000 to \$6,050. Kelly follows this line across to the column "No children" and finds \$266.

If the amount on the Form 1040EZ EIC Worksheet, line 5 or line 7, is—		And you listed—		
		No children	One child	Two children
At least	But less than	Your credit is—		
6,000	6,050	266	2,049	2,410
6,050	6,100	262	2,066	2,430
6,100	6,150	258	2,083	2,450
6,150	6,200	254	2,100	2,470

Line 7. She enters \$6,060 from Form 1040EZ, line 4. Modified AGI on Form 1040EZ is the same as AGI.

Line 8. Kelly checks the box for **Yes** and follows the instruction because her modified AGI of \$6,060 is more than \$5,300. Kelly again goes to the *Earned Income Credit Table* to find the amount of the credit based on her modified AGI. She finds \$6,060 in the range of \$6,050 to \$6,100. Kelly follows this line across to the column “No children” and finds \$262. Kelly enters \$262 here.

If the amount on the Form 1040EZ EIC Worksheet, line 5 or line 7, is—		And you listed—		
		No children	One child	Two children
At least	But less than	Your credit is—		
6,000	6,050	266	2,049	2,410
6,050	6,100	262	2,066	2,430
6,100	6,150	258	2,083	2,450
6,150	6,200	254	2,100	2,470

Line 9. Because Kelly checked the **Yes** box for line 8, she enters the smaller of \$266 (line 6) or \$262 (line 8). She enters \$262 here and on Form 1040EZ, line 8. The \$262 is Kelly’s earned income credit.

Part III. Advance Earned Income Credit Payments

Would you like to get part of your earned income credit now instead of waiting until after the end of the year? If you work for someone and expect to qualify for the earned income credit in 1997, you can choose to get part of the credit in advance. Give your employer a 1997 Form W-5, *Earned Income Credit Advance Payment Certificate*, and your employer will include part of the credit regularly in your pay. The advance payment is only available if you have at least one qualifying child.

You Can Get Part Of The Credit For One Child ***IN ADVANCE*** Regularly In Your Paycheck.

Fill Out --

To Get:

W-5

**\$ PAYCHECK +
PART OF CREDIT
IN ADVANCE**

Who can get the advance payment of the earned income credit? There are certain basic rules you must meet to see if you can get part of the earned income credit paid to you throughout the year in your paycheck. You must:

- 1) Work and earn less than a certain amount. The amount in 1996 was \$25,078. The amount for 1997 will be higher (see Form W-5 for the 1997 amount),
- 2) Have a qualifying child, and
- 3) Meet all the rules in Part I of this publication or in the instructions for Form W-5.

Persons who are not entitled to receive advance payments. Under certain circumstances, even if you meet the rules for receiving part of the earned income credit in advance, you may not be entitled to get it. If your wages are not subject to federal income tax, social security tax, or Medicare tax withholding, you cannot get the advance payment of the earned income credit. If you are a farm worker and are paid on a daily basis, your employer is not required to pay you the advance amount of the credit.

How To Get Advance Payments for 1997

To get part of the credit in advance, you must fill out a 1997 Form W-5. After you have read the instructions and answered the questions on Form W-5, give the lower part of the form to your employer. Keep the top part for your records.

If you have more than one employer, give a certificate to only one of them. If you are married and both you and your spouse are employed and expect to qualify for the credit, you may give a Form W-5 to your employer and your spouse may give one to his or her employer.

Sharon Rose – EIC Worksheet
(Page references are to Form 1040EZ Instructions)

Earned Income Credit Worksheet—Line 8 (keep for your records)



Caution: If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, see **Special Rules** on page 10 before completing this worksheet. Also, see **Special Rules** if Form 1040EZ, line 1, includes any amount paid to an inmate in a penal institution.

- 1. Enter the amount from Form 1040EZ, line 1 1. 4,850
- 2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here 2. _____
- 3. Subtract line 2 from line 1 3. 4,850
- 4. Enter any nontaxable earned income (see page 9). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form 4. _____
- 5. Add lines 3 and 4 5. 4,850

Caution: If line 5 is \$9,500 or more, you cannot take the credit. Print "No" to the right of the word "below" on line 8 of Form 1040EZ.

- 6. Look up the amount on line 5 above in the EIC Table on page 12 to find your credit. Enter the credit here 6. 323
- 7. Enter the amount from Form 1040EZ, line 4 7. 4,850

8. Is line 7 \$5,300 or more?

Yes. Look up the amount on line 7 above in the EIC Table on page 12 to find your credit. Enter the credit here 8. _____

No. Go to line 9.

9. Earned income credit.

- If you checked "Yes" on line 8, enter the smaller of line 6 or line 8.
- If you checked "No" on line 8, enter the amount from line 6 9. 323

Next: Take the amount from line 9 above and enter it on Form 1040EZ, line 8.

AND

If you had any nontaxable earned income (see line 4 above), enter the type and amount of that income in the spaces marked "Type" and "\$" to the left of line 8.

Earned Income Credit Worksheet—Line 8 (keep for your records)



Caution: If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996, see **Special Rules** on page 10 before completing this worksheet. Also, see **Special Rules** if Form 1040EZ, line 1, includes any amount paid to an inmate in a penal institution.

- 1. Enter the amount from Form 1040EZ, line 1 1. 6,040
- 2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here 2. _____
- 3. Subtract line 2 from line 1 3. 6,040
- 4. Enter any nontaxable earned income (see page 9). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form 4. _____
- 5. Add lines 3 and 4 5. 6,040

Caution: If line 5 is \$9,500 or more, you cannot take the credit. Print "No" to the right of the word "below" on line 8 of Form 1040EZ.

- 6. Look up the amount on line 5 above in the EIC Table on page 12 to find your credit. Enter the credit here 6. 266
- 7. Enter the amount from Form 1040EZ, line 4 7. 6,060

8. Is line 7 \$5,300 or more?

Yes. Look up the amount on line 7 above in the EIC Table on page 12 to find your credit. Enter the credit here 8. 262

No. Go to line 9.

9. **Earned income credit.**

- If you checked "Yes" on line 8, enter the smaller of line 6 or line 8.
- If you checked "No" on line 8, enter the amount from line 6 9. 262

Next: Take the amount from line 9 above and enter it on Form 1040EZ, line 8.

AND

If you had any nontaxable earned income (see line 4 above), enter the type and amount of that income in the spaces marked "Type" and "\$" to the left of line 8.



If you received advance earned income credit payments in 1997, you must file Form 1040 or Form 1040A for 1997. You must file a return to report what you already received and to take advantage of any additional earned income credit that you may qualify for.

If you receive advance payments of the earned income credit and later find out that you do not qualify for the credit, you will have to pay back any advance payment you are not entitled to when you file your Form 1040 or Form 1040A.

The 1997 Form W-5 you give to your employer is valid until December 31, 1997. If you expect to qualify for the earned income credit in 1998 and you want to receive advance payments, you must give your employer a **new** Form W-5 in 1998. Do this each year you think you are eligible for the credit.

When to give your employer a new Form W-5. If you no longer want to get advance payments or if your situation changes and you no longer qualify for the earned income credit, you must give your employer a new Form W-5. Check the **NO** box in question 1 on the new form.

If your spouse files a Form W-5 with his or her employer, you must file a new Form W-5 with your employer. Check the **Yes** box in question 4 that your spouse has filed a Form W-5.

Advance Earned Income Credit Payments Received in 1996

If you received advance payments of the earned income credit in 1996, you must file a tax return to report the payments. Report the amount on line 49, Form 1040 (or line 26, Form 1040A). Your Form W-2, box 9, will show the amount you received. You cannot use Form 1040EZ to report your advance payments.

Did you have a Form W-5 in effect before June 27, 1996? If you had a Form W-5 in effect before June 27, 1996, go to Part IV of this publication. You must do this to see if you can claim the credit on your 1996 tax return. Part IV contains a list of rules to see if you qualify for the credit and a worksheet to fill out if you do qualify.

Part IV. Form W-5 Before June 27, 1996

If, in 1996, you had a 1996 Form W-5 in effect before June 27, 1996, you should read this Part to see if you can claim the credit on your 1996 tax return. Most of the rules discussed in this publication apply to you. However, two rules are a little different. These two rules concern the

definition of investment income and modified AGI. For your convenience, these two changes are reflected in the following list of rules. If you qualify for the credit after reading the rules, complete the EIC Worksheet on page 34 and use the *1996 Earned Income Credit (EIC) Table* on pages 36 and 37. If you did not have a 1996 Form W-5 in effect before June 27, 1996, Part IV does not apply to you.



Generally, if you are a nonresident alien for any part of the year, you cannot claim the credit. See *Nonresident alien* on page 4.



You, your spouse, and your qualifying child (if any) must have social security numbers issued by the Social Security Administration to get the credit. See *Social security number* on page 3.

Persons Who Work and Have One or More Qualifying Children

To claim the earned income credit, you must meet **all** the following rules.

- 1) You must have a qualifying child who lived with you in the United States for more than half the year (the whole year for an eligible foster child). See *Birth or death of a child*, on page 7, and *Military personnel*, on page 6, for more information.
- 2) You must have earned income during the year.
- 3) Your earned income and **adjusted gross income** must each be less than \$25,078 with one qualifying child (or \$28,495 with more than one qualifying child). For purposes of claiming the credit under this Part IV, adjusted gross income is on line 16 (Form 1040A) and line 31 (Form 1040).
- 4) Your investment income cannot be more than \$2,350. For purposes of claiming the credit under this Part IV, *investment income* is taxable interest and dividends, tax-exempt interest, and net income from rents and royalties. Rents and Royalties received in a trade or business are not investment income.
- 5) Your filing status can be any filing status **except** married filing a separate return. See *Married Persons Living Apart*, on page 6.
- 6) You cannot be a qualifying child of another person. If you file a joint return, neither you nor your spouse can be a qualifying child of another person.
- 7) Your qualifying child cannot be the qualifying child of another person whose adjusted gross income is more than yours.
- 8) You usually must claim as a dependent a qualifying child who is married. See *Qualifying child who is married* on page 7 for an exception.

- 9) You are not filing Form 2555, *Foreign Earned Income* (or Form 2555–EZ, *Foreign Earned Income Exclusion*).

Persons Who Work and Do Not Have a Qualifying Child

You must meet *all* the following rules to claim the credit.

- 1) You must have earned income during 1996.
- 2) Your earned income and **adjusted gross income** must each be less than \$9,500. For purposes of claiming the credit under this Part IV, adjusted gross income is on line 4 (Form 1040EZ), line 16 (Form 1040A), and line 31 (Form 1040).
- 3) Your investment income cannot be more than \$2,350. For purposes of claiming the credit under this Part IV, *investment income* is taxable interest and dividends, tax-exempt interest, and net income from rents and royalties. Rents and Royalties received in a trade or business are not investment income.
- 4) Your filing status can be any filing status **EXCEPT** married filing a separate return. See *Married Persons Exception*, on page 20, for an exception.
- 5) You cannot be a qualifying child of another person. If you file a joint return, neither you nor your spouse can be a qualifying child of another person. See *Qualifying child of another person* on page 7.
- 6) You (or your spouse, if filing a joint return) must be at least age 25 but under age 65 at the end of your

tax year (usually December 31). See *Age Rule*, on page 21.

- 7) You cannot be eligible to be claimed as a dependent on anyone else's return. If you file a joint return, neither you nor your spouse can be eligible to be claimed as a dependent on anyone else's return. See *Dependent Rule*, on page 21.
- 8) Your main home (and your spouse's if filing a joint return) must be in the United States for more than half the year. See *Main Home Rule*, on page 21.
- 9) You are not filing Form 2555, *Foreign Earned Income*, or Form 2555–EZ, *Foreign Earned Income Exclusion*.

Checklist and Table For Figuring the Credit

The pages that follow have some helpful information you may need. They are:

- Eligibility Checklist. This is your final check to see if you really do qualify for the earned income credit, page 35, and
- The 1996 Earned Income Credit Table, beginning on page 36.



Earned Income Credit Worksheet



ONLY USE THIS WORKSHEET IF, IN 1996, YOU HAD A FORM W-5 IN EFFECT BEFORE JUNE 27, 1996—Otherwise, use the worksheet in your forms instruction package.

Caution: If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1996 or if line 7 of Form 1040 or 1040A includes any amount paid to an inmate in a penal institution see page 9 before completing this worksheet. Also, if you were a minister or member of a religious order see page 12.

- 1. Enter the amount from line 7 of Form 1040 or 1040A, or line 1 of Form 1040EZ..... 1. _____
2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here..... 2. _____
3. Subtract line 2 from line 1..... 3. _____
4. Enter any nontaxable earned income. Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. 4. _____
5. If you were self-employed or used Schedule C or C-EZ as a statutory employee, enter the amount from Table 2 or 4..... 5. _____
6. Add lines 3, 4, and 5..... 6. _____
7. Look up the amount on line 6 above in the EIC Table at the end of this publication. Enter the credit here..... 7. _____
If line 7 is zero, stop. You cannot take the credit. Print "No" next to Form 1040, line 54, or Form 1040A, line 29c. For Form 1040EZ, print "No" to the right of the word "below" on line 8.
8. Enter the amount from Form 1040, line 31 or Form 1040A, line 16, or Form 1040EZ, line 4..... 8. _____
9. Is line 8 less than—
• \$5,300 if you don't have a qualifying child?
• \$11,650 if you have at least one qualifying child?
[] YES. Go to line 10 now.
[] NO. Look up the amount on line 8 above in the EIC Table at the end of this publication. Enter the credit here..... 9. _____
10. Earned income credit.
[] If you checked "YES" on line 9, enter the amount from line 7.
[] If you checked "NO" on line 9, enter the smaller of line 7 or line 9..... 10. _____

Next: Take the amount from line 10 above and enter it on Form 1040, line 54 or Form 1040A, line 29c, or Form 1040EZ, line 8.

AND

If you had any nontaxable earned income (see line 4 above), enter the amount and type of that income in the spaces provided on Form 1040, line 54 or Form 1040A, line 29c, or Form 1040EZ, line 8.

AND

Complete Schedule EIC and attach it to your return ONLY if you have a qualifying child.

Note: If you owe the alternative minimum tax (Form 1040, line 46 or Form 1040A, line 28), subtract it from the amount on line 10 above. Then, enter the result (if more than zero) on Form 1040, line 54 or Form 1040A, line 29c. Also, replace the amount on line 10 above with the amount entered on Form 1040, line 54 or Form 1040A, line 29c.

Earned Income Credit (EIC) Eligibility Checklist

**CAN YOU REALLY CLAIM THE EARNED INCOME CREDIT?
(For use in preparing 1996 tax returns)**

*You may claim the earned income credit if you answer YES to all the following questions.**



You, your spouse, and your qualifying child must each have a social security number to claim the credit. (See **social security number** earlier.) **DO NOT** use this checklist if, in 1996, you had a Form W-5 in effect with your employer before June 27, 1996. Instead, go to Part IV in Publication 596.

	YES	NO
1. Is the total of your taxable and nontaxable earned income at least \$1 but less than: <ul style="list-style-type: none"> • \$ 9,500 if you do not have a qualifying child • \$25,078 if you have one qualifying child • \$28,495 if you have more than one qualifying child 	<input type="checkbox"/>	<input type="checkbox"/>
2. Is your modified AGI less than: <ul style="list-style-type: none"> • \$ 9,500 if you do not have a qualifying child • \$25,078 if you have one qualifying child • \$28,495 if you have more than one qualifying child 	<input type="checkbox"/>	<input type="checkbox"/>
3. Is your investment income \$2,200 or less?	<input type="checkbox"/>	<input type="checkbox"/>
4. Is your filing status married filing jointly, head of household, qualifying widow(er), or single?	<input type="checkbox"/>	<input type="checkbox"/>
5. Answer YES if you (and your spouse if filing a joint return) are not a qualifying child of another person.	<input type="checkbox"/>	<input type="checkbox"/>
6. Answer YES if you did not file Form 2555 or Form 2555-EZ to exclude from your gross income any income earned in foreign countries or to deduct or exclude a foreign housing amount.	<input type="checkbox"/>	<input type="checkbox"/>
<p align="center">STOP: If you have a qualifying child, answer question 7 and skip 8. If you do not have a qualifying child, skip 7 and answer 8.*</p>		
7. <ul style="list-style-type: none"> • Did your qualifying child live with you in the United States for more than half the year (the whole year if an eligible foster child)? Includes military personnel on extended active duty outside the U.S. • Answer YES if your qualifying child is also a qualifying child for another person and your modified AGI is higher than the other person's. Answer YES if your child is only a qualifying child for you. • If your qualifying child is married, did you claim the child as a dependent? If your qualifying child is not married, check YES. 	<input type="checkbox"/>	<input type="checkbox"/>
OR		
8. <ul style="list-style-type: none"> • Was your main home (and your spouse's if filing a joint return) in the United States for more than half the year? Includes military personnel on extended active duty outside the U.S. • Were you (or your spouse, if filing a joint return) at least age 25 but less than 65 at the end of your tax year? • No one can claim you (or your spouse if filing a joint return) as a dependent on their return. If you (and your spouse if filing a joint return) are not eligible to be a dependent on anyone else's return, check YES. If you (or your spouse if filing a joint return) are eligible to be claimed as a dependent on someone else's return, check NO. 	<input type="checkbox"/>	<input type="checkbox"/>

* **PERSONS WITH A QUALIFYING CHILD:** If you answered **YES** to questions 1 through 7, you can claim the credit. Remember to fill out Schedule EIC and attach it to your return. Also, use the EIC Worksheet to figure your credit.

PERSONS WITHOUT A QUALIFYING CHILD: If you answered **YES** to questions 1 through 6 and 8, you can claim the credit. Use the EIC Worksheet to figure your credit. Remember, you can use Form 1040EZ.

IF YOU ANSWERED NO TO ANY QUESTION: You are not eligible for the credit.

1996 Earned Income Credit (EIC) Table

Caution: This is not a tax table.

To find your credit: Read down the "At least — But less than" columns under the Earned Income Credit Worksheet column below and find the line that includes the amount entered on line 5 or 7, Form 1040EZ or Form 1040A EIC Worksheet, or line 6 or 8, Form 1040 EIC Worksheet. Then read across to the column that fits your circumstance and enter the credit from the column on line 6 or line 8, Form 1040EZ or 1040A EIC Worksheet, or line 7 or 9, Form 1040 EIC Worksheet.

INCOME FROM EIC WORKSHEET— SEE "To find your credit" above		And you have—			INCOME FROM EIC WORKSHEET— SEE "To find your credit" above		And you have—			INCOME FROM EIC WORKSHEET— SEE "To find your credit" above		And you have—		
At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children
Your credit is—		Your credit is—			Your credit is—		Your credit is—			Your credit is—		Your credit is—		
\$1	\$50	52	\$9	\$10	3,200	3,250	247	1,097	1,290	6,400	6,450	235	2,152	2,570
50	100	6	26	30	3,250	3,300	251	1,114	1,310	6,450	6,500	231	2,152	2,590
100	150	10	43	50	3,300	3,350	254	1,131	1,330	6,500	6,550	228	2,152	2,610
150	200	13	60	70	3,350	3,400	258	1,148	1,350	6,550	6,600	224	2,152	2,630
200	250	17	77	90	3,400	3,450	262	1,165	1,370	6,600	6,650	220	2,152	2,650
250	300	21	94	110	3,450	3,500	266	1,182	1,390	6,650	6,700	216	2,152	2,670
300	350	25	111	130	3,500	3,550	270	1,199	1,410	6,700	6,750	212	2,152	2,690
350	400	28	128	150	3,550	3,600	273	1,218	1,430	6,750	6,800	208	2,152	2,710
400	450	33	145	170	3,600	3,650	277	1,233	1,450	6,800	6,850	205	2,152	2,730
450	500	36	162	190	3,650	3,700	281	1,250	1,470	6,850	6,900	201	2,152	2,750
500	550	40	179	210	3,700	3,750	285	1,267	1,490	6,900	6,950	197	2,152	2,770
550	600	44	196	230	3,750	3,800	289	1,284	1,510	6,950	7,000	193	2,152	2,790
600	650	48	213	250	3,800	3,850	293	1,301	1,530	7,000	7,050	189	2,152	2,810
650	700	52	230	270	3,850	3,900	296	1,318	1,550	7,050	7,100	186	2,152	2,830
700	750	55	247	290	3,900	3,950	300	1,335	1,570	7,100	7,150	182	2,152	2,850
750	800	59	264	310	3,950	4,000	304	1,352	1,590	7,150	7,200	178	2,152	2,870
800	850	63	281	330	4,000	4,050	308	1,369	1,610	7,200	7,250	174	2,152	2,890
850	900	67	298	350	4,050	4,100	312	1,386	1,630	7,250	7,300	170	2,152	2,910
900	950	71	315	370	4,100	4,150	316	1,403	1,650	7,300	7,350	166	2,152	2,930
950	1,000	75	332	390	4,150	4,200	319	1,420	1,670	7,350	7,400	163	2,152	2,950
1,000	1,050	78	349	410	4,200	4,250	323	1,437	1,690	7,400	7,450	159	2,152	2,970
1,050	1,100	82	366	430	4,250	4,300	323	1,454	1,710	7,450	7,500	155	2,152	2,990
1,100	1,150	86	383	450	4,300	4,350	323	1,471	1,730	7,500	7,550	151	2,152	3,010
1,150	1,200	90	400	470	4,350	4,400	323	1,488	1,750	7,550	7,600	147	2,152	3,030
1,200	1,250	94	417	490	4,400	4,450	323	1,505	1,770	7,600	7,650	143	2,152	3,050
1,250	1,300	98	434	510	4,450	4,500	323	1,522	1,790	7,650	7,700	140	2,152	3,070
1,300	1,350	101	451	530	4,500	4,550	323	1,539	1,810	7,700	7,750	136	2,152	3,090
1,350	1,400	105	468	550	4,550	4,600	323	1,556	1,830	7,750	7,800	132	2,152	3,110
1,400	1,450	109	485	570	4,600	4,650	323	1,573	1,850	7,800	7,850	128	2,152	3,130
1,450	1,500	113	502	590	4,650	4,700	323	1,590	1,870	7,850	7,900	124	2,152	3,150
1,500	1,550	117	519	610	4,700	4,750	323	1,607	1,890	7,900	7,950	120	2,152	3,170
1,550	1,600	120	536	630	4,750	4,800	323	1,624	1,910	7,950	8,000	117	2,152	3,190
1,600	1,650	124	553	650	4,800	4,850	323	1,641	1,930	8,000	8,050	113	2,152	3,210
1,650	1,700	128	570	670	4,850	4,900	323	1,658	1,950	8,050	8,100	109	2,152	3,230
1,700	1,750	132	587	690	4,900	4,950	323	1,675	1,970	8,100	8,150	105	2,152	3,250
1,750	1,800	136	604	710	4,950	5,000	323	1,692	1,990	8,150	8,200	101	2,152	3,270
1,800	1,850	140	621	730	5,000	5,050	323	1,709	2,010	8,200	8,250	98	2,152	3,290
1,850	1,900	143	638	750	5,050	5,100	323	1,726	2,030	8,250	8,300	94	2,152	3,310
1,900	1,950	147	655	770	5,100	5,150	323	1,743	2,050	8,300	8,350	90	2,152	3,330
1,950	2,000	151	672	790	5,150	5,200	323	1,760	2,070	8,350	8,400	86	2,152	3,350
2,000	2,050	155	689	810	5,200	5,250	323	1,777	2,090	8,400	8,450	82	2,152	3,370
2,050	2,100	159	706	830	5,250	5,300	323	1,794	2,110	8,450	8,500	78	2,152	3,390
2,100	2,150	163	723	850	5,300	5,350	319	1,811	2,130	8,500	8,550	75	2,152	3,410
2,150	2,200	166	740	870	5,350	5,400	316	1,828	2,150	8,550	8,600	71	2,152	3,430
2,200	2,250	170	757	890	5,400	5,450	312	1,845	2,170	8,600	8,650	67	2,152	3,450
2,250	2,300	174	774	910	5,450	5,500	308	1,862	2,190	8,650	8,700	63	2,152	3,470
2,300	2,350	178	791	930	5,500	5,550	304	1,879	2,210	8,700	8,750	59	2,152	3,490
2,350	2,400	182	808	950	5,550	5,600	300	1,896	2,230	8,750	8,800	55	2,152	3,510
2,400	2,450	186	825	970	5,600	5,650	296	1,913	2,250	8,800	8,850	52	2,152	3,530
2,450	2,500	189	842	990	5,650	5,700	293	1,930	2,270	8,850	8,900	48	2,152	3,556
2,500	2,550	193	859	1,010	5,700	5,750	289	1,947	2,290	8,900	8,950	44	2,152	3,556
2,550	2,600	197	876	1,030	5,750	5,800	285	1,964	2,310	8,950	9,000	40	2,152	3,556
2,600	2,650	201	893	1,050	5,800	5,850	281	1,981	2,330	9,000	9,050	36	2,152	3,556
2,650	2,700	205	910	1,070	5,850	5,900	277	1,998	2,350	9,050	9,100	33	2,152	3,556
2,700	2,750	208	927	1,090	5,900	5,950	273	2,015	2,370	9,100	9,150	29	2,152	3,556
2,750	2,800	212	944	1,110	5,950	6,000	270	2,032	2,390	9,150	9,200	25	2,152	3,556
2,800	2,850	216	961	1,130	6,000	6,050	266	2,049	2,410	9,200	9,250	21	2,152	3,556
2,850	2,900	220	978	1,150	6,050	6,100	262	2,066	2,430	9,250	9,300	17	2,152	3,556
2,900	2,950	224	995	1,170	6,100	6,150	258	2,083	2,450	9,300	9,350	13	2,152	3,556
2,950	3,000	228	1,012	1,190	6,150	6,200	254	2,100	2,470	9,350	9,400	10	2,152	3,556
3,000	3,050	231	1,029	1,210	6,200	6,250	251	2,117	2,490	9,400	9,450	6	2,152	3,556
3,050	3,100	235	1,046	1,230	6,250	6,300	247	2,134	2,510	9,450	9,500	2	2,152	3,556
3,100	3,150	239	1,063	1,250	6,300	6,350	243	2,152	2,530	9,500	11,650	0	2,152	3,556
3,150	3,200	243	1,080	1,270	6,350	6,400	239	2,152	2,550	11,650	11,700	0	2,142	3,542

1996 Earned Income Credit (EIC) Table Continued (Not a tax table.)

INCOME FROM EIC WORKSHEET—SEE "To find your credit" above		And you have—			INCOME FROM EIC WORKSHEET—SEE "To find your credit" above		And you have—			INCOME FROM EIC WORKSHEET—SEE "To find your credit" above		And you have—							
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children					
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—							
14,700	14,750	0	1,654	2,900	18,300	18,350	0	1,079	2,142	21,900	21,950	0	504	1,384	25,500	25,550	0	0	626
14,750	14,800	0	1,646	2,889	18,350	18,400	0	1,071	2,131	21,950	22,000	0	496	1,373	25,550	25,600	0	0	615
14,800	14,850	0	1,638	2,879	18,400	18,450	0	1,063	2,121	22,000	22,050	0	488	1,363	25,600	25,650	0	0	604
14,850	14,900	0	1,630	2,868	18,450	18,500	0	1,055	2,110	22,050	22,100	0	480	1,352	25,650	25,700	0	0	594
14,900	14,950	0	1,622	2,858	18,500	18,550	0	1,047	2,100	22,100	22,150	0	472	1,342	25,700	25,750	0	0	583
14,950	15,000	0	1,614	2,847	18,550	18,600	0	1,039	2,089	22,150	22,200	0	464	1,331	25,750	25,800	0	0	573
15,000	15,050	0	1,606	2,837	18,600	18,650	0	1,031	2,079	22,200	22,250	0	456	1,320	25,800	25,850	0	0	562
15,050	15,100	0	1,598	2,826	18,650	18,700	0	1,023	2,068	22,250	22,300	0	448	1,310	25,850	25,900	0	0	552
15,100	15,150	0	1,591	2,816	18,700	18,750	0	1,015	2,058	22,300	22,350	0	440	1,299	25,900	25,950	0	0	541
15,150	15,200	0	1,583	2,805	18,750	18,800	0	1,007	2,047	22,350	22,400	0	432	1,289	25,950	26,000	0	0	531
15,200	15,250	0	1,575	2,795	18,800	18,850	0	999	2,037	22,400	22,450	0	424	1,278	26,000	26,050	0	0	520
15,250	15,300	0	1,567	2,784	18,850	18,900	0	991	2,026	22,450	22,500	0	416	1,268	26,050	26,100	0	0	510
15,300	15,350	0	1,559	2,774	18,900	18,950	0	983	2,015	22,500	22,550	0	408	1,257	26,100	26,150	0	0	499
15,350	15,400	0	1,551	2,763	18,950	19,000	0	975	2,005	22,550	22,600	0	400	1,247	26,150	26,200	0	0	489
15,400	15,450	0	1,543	2,753	19,000	19,050	0	967	1,994	22,600	22,650	0	392	1,236	26,200	26,250	0	0	478
15,450	15,500	0	1,535	2,742	19,050	19,100	0	959	1,984	22,650	22,700	0	384	1,226	26,250	26,300	0	0	468
15,500	15,550	0	1,527	2,732	19,100	19,150	0	951	1,973	22,700	22,750	0	376	1,215	26,300	26,350	0	0	457
15,550	15,600	0	1,519	2,721	19,150	19,200	0	943	1,963	22,750	22,800	0	368	1,205	26,350	26,400	0	0	446
15,600	15,650	0	1,511	2,710	19,200	19,250	0	935	1,952	22,800	22,850	0	360	1,194	26,400	26,450	0	0	436
15,650	15,700	0	1,503	2,700	19,250	19,300	0	927	1,942	22,850	22,900	0	352	1,184	26,450	26,500	0	0	425
15,700	15,750	0	1,495	2,689	19,300	19,350	0	919	1,931	22,900	22,950	0	344	1,173	26,500	26,550	0	0	415
15,750	15,800	0	1,487	2,679	19,350	19,400	0	911	1,921	22,950	23,000	0	336	1,163	26,550	26,600	0	0	404
15,800	15,850	0	1,479	2,668	19,400	19,450	0	903	1,910	23,000	23,050	0	328	1,152	26,600	26,650	0	0	394
15,850	15,900	0	1,471	2,658	19,450	19,500	0	895	1,900	23,050	23,100	0	320	1,141	26,650	26,700	0	0	383
15,900	15,950	0	1,463	2,647	19,500	19,550	0	887	1,889	23,100	23,150	0	312	1,131	26,700	26,750	0	0	373
15,950	16,000	0	1,455	2,637	19,550	19,600	0	879	1,879	23,150	23,200	0	304	1,120	26,750	26,800	0	0	362
16,000	16,050	0	1,447	2,626	19,600	19,650	0	871	1,868	23,200	23,250	0	296	1,110	26,800	26,850	0	0	352
16,050	16,100	0	1,439	2,616	19,650	19,700	0	863	1,858	23,250	23,300	0	288	1,099	26,850	26,900	0	0	341
16,100	16,150	0	1,431	2,605	19,700	19,750	0	855	1,847	23,300	23,350	0	280	1,089	26,900	26,950	0	0	331
16,150	16,200	0	1,423	2,595	19,750	19,800	0	847	1,836	23,350	23,400	0	272	1,078	26,950	27,000	0	0	320
16,200	16,250	0	1,415	2,584	19,800	19,850	0	839	1,826	23,400	23,450	0	264	1,068	27,000	27,050	0	0	310
16,250	16,300	0	1,407	2,574	19,850	19,900	0	831	1,815	23,450	23,500	0	256	1,057	27,050	27,100	0	0	299
16,300	16,350	0	1,399	2,563	19,900	19,950	0	823	1,805	23,500	23,550	0	248	1,047	27,100	27,150	0	0	289
16,350	16,400	0	1,391	2,552	19,950	20,000	0	815	1,794	23,550	23,600	0	240	1,036	27,150	27,200	0	0	278
16,400	16,450	0	1,383	2,542	20,000	20,050	0	807	1,784	23,600	23,650	0	232	1,026	27,200	27,250	0	0	267
16,450	16,500	0	1,375	2,531	20,050	20,100	0	799	1,773	23,650	23,700	0	224	1,015	27,250	27,300	0	0	257
16,500	16,550	0	1,367	2,521	20,100	20,150	0	792	1,763	23,700	23,750	0	216	1,005	27,300	27,350	0	0	246
16,550	16,600	0	1,359	2,510	20,150	20,200	0	784	1,752	23,750	23,800	0	208	994	27,350	27,400	0	0	236
16,600	16,650	0	1,351	2,500	20,200	20,250	0	776	1,742	23,800	23,850	0	200	984	27,400	27,450	0	0	225
16,650	16,700	0	1,343	2,489	20,250	20,300	0	768	1,731	23,850	23,900	0	192	973	27,450	27,500	0	0	215
16,700	16,750	0	1,335	2,479	20,300	20,350	0	760	1,721	23,900	23,950	0	184	962	27,500	27,550	0	0	204
16,750	16,800	0	1,327	2,468	20,350	20,400	0	752	1,710	23,950	24,000	0	176	952	27,550	27,600	0	0	194
16,800	16,850	0	1,319	2,458	20,400	20,450	0	744	1,700	24,000	24,050	0	168	941	27,600	27,650	0	0	183
16,850	16,900	0	1,311	2,447	20,450	20,500	0	736	1,689	24,050	24,100	0	160	931	27,650	27,700	0	0	173
16,900	16,950	0	1,303	2,437	20,500	20,550	0	728	1,679	24,100	24,150	0	152	920	27,700	27,750	0	0	162
16,950	17,000	0	1,295	2,426	20,550	20,600	0	720	1,668	24,150	24,200	0	144	910	27,750	27,800	0	0	152
17,000	17,050	0	1,287	2,416	20,600	20,650	0	712	1,657	24,200	24,250	0	136	899	27,800	27,850	0	0	141
17,050	17,100	0	1,279	2,405	20,650	20,700	0	704	1,647	24,250	24,300	0	128	889	27,850	27,900	0	0	131
17,100	17,150	0	1,271	2,395	20,700	20,750	0	696	1,636	24,300	24,350	0	120	878	27,900	27,950	0	0	120
17,150	17,200	0	1,263	2,384	20,750	20,800	0	688	1,626	24,350	24,400	0	112	868	27,950	28,000	0	0	110
17,200	17,250	0	1,255	2,373	20,800	20,850	0	680	1,615	24,400	24,450	0	104	857	28,000	28,050	0	0	99
17,250	17,300	0	1,247	2,363	20,850	20,900	0	672	1,605	24,450	24,500	0	96	847	28,050	28,100	0	0	88
17,300	17,350	0	1,239	2,352	20,900	20,950	0	664	1,594	24,500	24,550	0	88	836	28,100	28,150	0	0	78
17,350	17,400	0	1,231	2,342	20,950	21,000	0	656	1,584	24,550	24,600	0	80	826	28,150	28,200	0	0	67
17,400	17,450	0	1,223	2,331	21,000	21,050	0	648	1,573	24,600	24,650	0	72	815	28,200	28,250	0	0	57
17,450	17,500	0	1,215	2,321	21,050	21,100	0	640	1,563	24,650	24,700	0	64	805	28,250	28,300	0	0	46
17,500	17,550	0	1,207	2,310	21,100	21,150	0	632	1,552	24,700	24,750	0	56	794	28,300	28,350	0	0	36
17,550	17,600	0	1,199	2,300	21,150	21,200	0	624	1,542	24,750	24,800	0	48	783	28,350	28,400	0	0	25
17,600	17,650	0	1,191	2,289	21,200	21,250	0	616	1,531	24,800	24,850	0	40	773	28,400	28,450	0	0	15
17,650	17,700	0	1,183	2,279	21,250	21,300	0	608	1,521	24,850	24,900	0	32	762	28,450	28,495	0	0	5
17,700	17,750	0	1,175	2,268	21,300	21,350	0	600	1,510	24,900	24,950	0	24	752	28,495 or more	0	0	0	
17,750	17,800	0	1,167	2,258	21,350	21,400	0	592	1,499	24,950	25,000	0	16	741					
17,800	17,850	0	1,159	2,247	21,400	21,450	0	584	1,489	25,000	25,050	0	8	731					
17,850	17,900	0	1,151	2,237	21,450	21,500	0	576	1,478	25,050	25,100	0	*	720					
17,900	17,950	0	1,143	2,226	21,500	21,550	0	568	1,468	25,100	25,150	0	0						

How To Get More Information



You can get help from the IRS in several ways.

Free publications and forms. To order free publications and forms, call 1-800-TAX-FORM (1-800-829-3676). You can also write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address. Your local library or post office also may have the items you need.

For a list of free tax publications, order Publication 910, *Guide to Free Tax Services*. It also contains an index of tax topics and related publications and describes other free tax information services available from IRS, including tax education and assistance programs.

If you have access to a personal computer and modem, you also can get many forms and publications electronically. See *Quick and Easy Access to Tax Help and Forms* in your income tax package for details. If space permitted, this information is at the end of this publication.

Tax questions. You can call the IRS with your tax questions. Check your income tax package or telephone book for the local number, or you can call 1-800-829-1040.

TTY/TDD equipment. If you have access to TTY/TDD equipment, you can call 1-800-829-4059 to ask tax questions or to order forms and publications. See your income tax package for the hours of operation.