

The Federal and State Earned Income Tax Credits (EITC) Tax Year 2011 Fact Sheet

What are the EITCs?

- ✧ They are tax breaks for working families and individuals.
- ✧ They are part of the federal and state tax codes.
- ✧ They are designed to reduce the tax burden on struggling families and supplement the wages of low- and moderate-income workers.
- ✧ They help low- and moderate-income workers support their families, encourage a higher participation in the workforce, and rewards individuals who find employment.

Who Can Claim the EITC?

- ✧ Single or married people who worked at some point in 2011, self-employed workers, cash assistance recipients with earned income, and legal immigrants can all qualify for the EITC, depending on their income.
- ✧ Workers whose earnings are too small to have paid federal taxes can still get money back, because the EITC is a refundable tax credit. Receiving the tax credit is contingent upon filing a tax form.
- ✧ Individuals who file as *single*, *head of households*, or *married filing jointly* may receive

the EITC. It is not available to taxpayers who file as *married filing separately*.

- ✧ Workers with investment income exceeding \$3,150 in 2011 may not claim the EITC.

How Can Workers Claim the EITCs?

- ✧ Married workers must file a joint return to get the EITCs.
- ✧ To get the federal EITC, workers raising children in 2011 must file either Form 1040 or 1040A and must fill out and attach Schedule EIC. Workers not raising children in 2011 can file any tax form including the 1040 EZ.
- ✧ To get the state EITC, workers simply need to enter the amount of their federal EITC from their federal tax form onto line 28a of their Michigan tax form, and then multiply that number by .20 (20%) and put it on line 28b.
- ✧ Workers can claim the federal EITC for the previous three tax years as well as the current year.

Which Children Can Be Counted for EITC Purposes?

- ✧ Qualifying children must be under age 19, under age 24 if they are full-time students, or any age if they are totally or permanently disabled. They

How Much Can a Worker Get Back Through the EITCs?

	Raising One Child		Raising Two Children		Raising Three or more Children		Not Raising Children (must be age 25-64)	
	Single	Married	Single	Married	Single	Married	Single	Married
Workers with maximum earnings up to:	\$36,052	\$41,132	\$40,964	\$46,044	\$43,998	\$49,078	\$13,660	\$18,740
Can get a federal EITC up to:	\$3,094		\$5,112		\$5,751		\$464	
Can get a state EITC up to:	\$619		\$1,022		\$1,150		\$93	
For a Total EITC Amount up to:	\$3,713		\$6,143		\$6,901		\$557	

must be younger than the person claiming the child, unless totally and permanently disabled.

- ✧ Sons, daughters, stepchildren, grandchildren and adopted children are all considered qualifying children as long as they lived with the taxpayer for more than half the year.
- ✧ In some cases, brothers, sisters, stepbrothers and stepsisters who live with the filer for more than half the year may be counted, if they are not counted on anyone else's return.
- ✧ Nieces, nephews or foster children placed by an agency are considered qualifying children if they lived with the taxpayer in the U.S. more than half the year, were cared for as if they were members of the family, and are not claimed on another person's tax return.
- ✧ A valid Social Security number is required for any qualifying child born before December 31, 2011.

What About Errors in Claiming the EITC?

- ✧ To reduce EITC error and fraud rates, the IRS now verifies the Social Security numbers for all parents and children claiming the EITC.
- ✧ If a worker claims the EITC and the IRS finds out that taxes are owed, the filer must pay whatever is owed. However: (1) the EITC may be enough to cover the taxes owed; (2) the IRS is usually willing to work out payment plans for back taxes; and (3) the filer may be able to make an "offer in compromise" that is less than the tax bill.

How Can EITC Refunds Be Used to Build Savings?

- ✧ Filers can use direct deposit to split a part of their federal refund into a bank account or IRA.

To do this, file Form 8888 with the tax return. For more information, go to www.splitrefunds.net.

Does the EITC Affect Public Assistance Benefits?

Generally, no. The EITC is not counted as income when determining eligibility for FIP cash assistance, Medicaid, Food Assistance, Supplemental Security Income or federally assisted housing programs. For certain programs, there may be specified deadlines by which the benefit must be spent.

Additional Tips

1. The use of rapid refunds offered by commercial tax preparers is discouraged. They are high-interest loans that reduce the amount of money going into the pockets of hardworking taxpayers.
2. VITA (Volunteer Income Tax Assistance) sites exist to help people fill out their tax forms for free. To find the nearest VITA site, go to www.michiganeic.org or call 2-1-1. (If no answer, call **1-800-552-1183**.)
3. Families who qualify for the EITC may also be able to receive other tax credits such as the Michigan Homestead Property Credit, the Federal Child and Dependent Care Credit, the Michigan Home Heating Credit and federal and state child credits and deductions.
4. Tax filers can file their federal and state (not local) income taxes for free at **I-CAN!E-File**. This program makes sure EITC-eligible filers claim all their tax credits. Go to www.michiganeic.org and click on **I-CAN!E-File**, or go to www.icanefile.org

Remember...

You can file your taxes online for free using **I-CAN!E-File** at www.MichiganEIC.org or www.icanefile.org