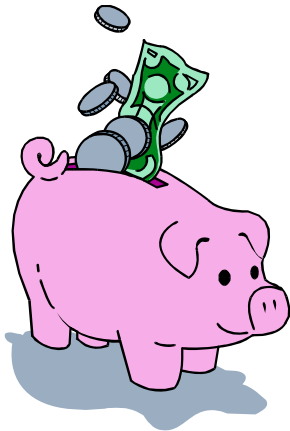


FEDERAL EARNED INCOME TAX CREDIT



(Tax Year 2011)

What is it?

The **Earned Income Tax Credit (EITC)** is designed to supplement wages and to reduce the tax burden on low- or moderate-income workers. During 2011, approximately 809,560 working families in Michigan claimed a total of more than \$1.77 billion for Tax Year 2010 and prior years, for an average credit of \$2,191.

Who Qualifies?

The EITC is available to low- and moderate-income married or single workers (with or without children) who meet the income requirements. Workers may qualify if they worked full- or part-time in 2011. **A qualifying child is a child who is under age 19 at the end of 2011, or under age 24 if a full-time student, or any age if totally and permanently disabled.** (This is different from the qualifying rules of the Federal Child Tax Credit.)

How Does it Work?

Depending on eligibility and income level, workers eligible for the EITC either get money back or pay less in taxes:

- ✧ Eligible workers raising one qualifying child in the home with adjusted gross income of less than \$36,052 (single) or \$41,132 (married) in 2011 can get an EITC of up to \$3,094.
- ✧ Eligible workers raising two qualifying children in the home with adjusted gross income of less

than \$40,964 (single) or \$46,044 (married) in 2011 can get an EITC of up to \$5,112.

- ✧ Eligible workers raising three or more qualifying children in the home with adjusted gross income of less than \$43,998 (single) or \$49,078 (married) in 2011 can get up to \$5,751.
- ✧ Eligible workers who were not raising children in their home, but who were at least age 25 and under age 65 on December 31, 2011 and had an adjusted gross income of less than \$13,660 (single) or \$18,750 (married), can get an EITC of up to \$464.
- ✧ Workers with investment income exceeding \$3,150 in 2011 may not claim the EITC.

How Do Filers Claim the Credit?

- ✧ Workers raising children in 2011 must file Form 1040 or 1040A (not Form 1040 EZ) and **must** fill out and attach Schedule EIC. Married workers must file a joint return to get the EITC.
- ✧ A Social Security number must be provided for every person listed on the tax return and Schedule EIC.
- ✧ Workers not raising children in 2011 can file any tax form, including Form 1040 EZ and do not need to file Schedule EIC—they write the dollar amount of their credit on the Earned Income Credit line on their tax form.

- ✧ Workers raising children can get part of their EITC in their paychecks throughout the year with the “Advance EIC” option by completing Form W-5. This form must be filed by the beginning of each new year to continue receiving the Advance EIC.

(**Note:** The federal EITC does not count as income in determining eligibility for Family Independence Program (FIP) cash assistance, food assistance, Medicaid, SSI or public housing.)

Where Can Filers Get Free Tax Help?

Filers should be encouraged to avoid going to commercial preparers for tax services that cost them money. There are two ways that filers can submit their taxes for free:

- 1) If they do not need much help, they can file taxes themselves. They can use paper forms, or they can file electronically for free using **I-CAN! E-File**, a web-based software that is available at www.MichiganEIC.org or www.icanefile.org. It is written at a fifth-grade literacy level and is available in English and Spanish.

- 2) Filers can also get free tax assistance at one of the many Volunteer Income Tax Assistance (VITA) sites around Michigan. Information on the location and hours of the VITA sites is available at www.MichiganEIC.org or by calling 2-1-1 (or 1-800-552-1183 if 2-1-1 is not available). In some counties, 2-1-1 is also able to determine EITC eligibility or set appointments for tax assistance.



Remember...

Always discourage filers from using commercial tax services such as “rapid refund” (refund anticipation loan) packages. They charge a high fee and take a large percentage of the filer’s EITC refund.