

Earned Income Credit

As an AARP Volunteer Tax-Aide Counselor, you will serve working people who have low to moderate income. This lesson covers the earned income credit (EIC) for which they may qualify. There are several common errors associated with claiming this credit. Publications 4491, VITA/TCE Training Guide and 4012, Volunteer Resource Guide, and the intake and interview sheet are critical tools to avoid mistakes.

Resources:

Volunteer Training Guide – Pub 4491

Volunteer Resource Guide – Pub 4012

[Publication 17, Your Federal Income Tax \(For Individuals\)](#)

Learning Objectives

- Determine if a taxpayer is eligible for EIC
- Calculate EIC

Getting Started:



Study the associated IRS VITA/TCE Training Guide Chapter 29



Open [Volunteer Resource Guide Tab I](#)

Tax-Aide Learning Hints:

- When income, filing status, and dependency are properly identified, classified, and entered, TaxSlayer will correctly calculate EIC.
- **Always verify that EIC has not been disallowed in a prior year.**

Yes	No	Unsure	Part V – Life Events – Last Year, Did You (or Your Spouse)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (A) Have debt from a mortgage or credit card cancelled/forgiven by a commercial lender? (Forms 1099-C, 1099-A)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (A) Buy, sell or have a foreclosure of your home? (Form 1099-A)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Have Earned Income Credit (EIC) or other credits disallowed in a prior year? If yes, for which tax year?

If it has, **follow the guidance in the Pub 4012, Tab I.** The return will be rejected by the IRS, if Form 8862 is required and not included.

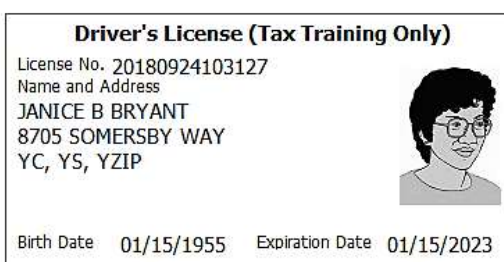
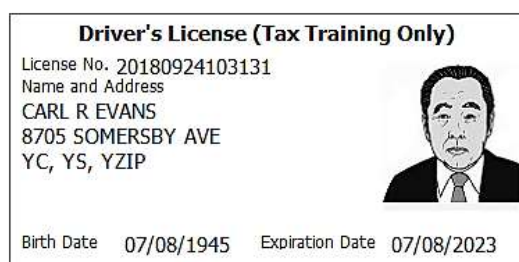
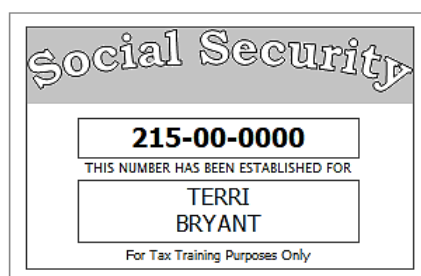
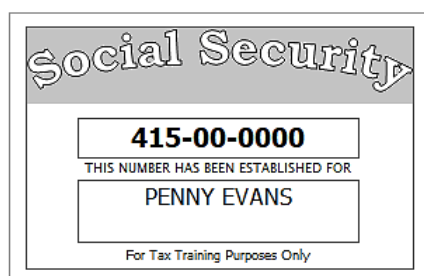
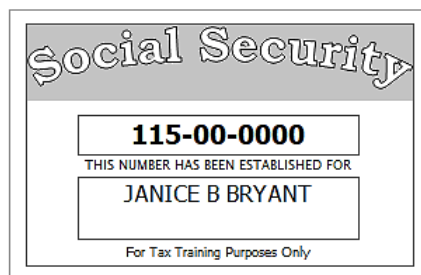
Feedback:

Please email: selfstudy@aarpfdntaxaide.org. Appreciate suggestions and comments.

Earned Income Credit

Practice Lab

Open **TaxSlayer Practice Lab** and login. If necessary, find and review the **Entering Basic Credits video**.



- Carl and Janice are married and file Married Filing Jointly with two dependents
- All have Minimum Essential Coverage through Janice's family plan from work
- They use the Standard Deduction
- They would like their refund mailed to them

Carl and Janice have custody of their grandchild whose parents are deceased. No one else is eligible to claim the child on a tax return. Janice's permanently disabled sister, Penny, also lived with them the entire year. Penny receives SSI and provided over half her own support. All are US citizens. Janice's W-2 is shown below. Carl has Social Security.

Earned Income Credit

a. Employee's social security number 115-00-0000			
b. Employer identification number (EIN) 25-5234567		1. Wages, tips, other compensation \$21,010.27	2. Federal income tax withheld \$2,100.00
c. Employer's name, address, City, State and ZIP Code JEFFERSON SCHOOL 12210 ROBIN ROAD INDIANAPOLIS IN 46204		3. Social security wages \$21,010.27	4. Social security tax withheld \$1,302.64
		5. Medicare wages and tips \$21,010.27	6. Medicare tax withheld \$304.65
		7. Social security tips	8. Allocated tips
d. Control number		9. Verification code Df4Z-mnrB-8xDm-DnRJ	10. Dependant care benefits
e. Employee's first name and initial last name f. Employee's address and ZIP code JANICE B BRYANT 8705 SOMERSBY WAY YC, YS, YZIP		11. Nonqualified plans	
		12a. See instructions for box 12	
		13. Statutory Employee <input type="checkbox"/> Retirement Plan <input type="checkbox"/> Third-party sickpay <input type="checkbox"/>	
		12b.	
		14. Other	
		12c.	
		12d.	
15. State YS	Employer's state ID number 216234567	16. State wages, tips, etc. \$21,010.27	17. State income tax 1,051.00
		18. Local wages, tips, etc.	19. Local income tax
		20. Locality name	

Form **W-2 Wage and Tax Statement 2018**
Copy B - To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

FORM SSA-1099 - SOCIAL SECURITY BENEFIT STATEMENT

2018		<input type="checkbox"/> PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. <input type="checkbox"/> SEE THE REVERSE FOR MORE INFORMATION.	
Box 1. Name CARL R EVANS		Box 2. Beneficiary's Social Security 015-00-7052	
Box 3. Benefits Paid in 2018 \$13,682.00	Box 4. Benefits Repaid to SSA in 2018	Box 5. Net Benefits Paid for 2018 (Box 3 minus Box 4) \$13,682.00	
DESCRIPTION OF AMOUNT IN BOX 3 Paid by check or direct deposit \$11,006.00 Medicare Part B premiums deducted from your benefits \$1,608.00 Medicare Prescription Drug premiums (Part D) deducted from your benefits Total Additions \$13,682.00 Benefits for 2018 \$13,682.00 Benefits for 2017 Benefits for 2016 Benefits for 2015		DESCRIPTION OF AMOUNT IN BOX 4 Box 6. Voluntary Federal Income Tax Withheld \$1,068.00 Box 7. Address CARL R EVANS 8705 SOMERSBY AVE YC, YS, YZIP Box 8. Claim Number (use this number if you need to contact SSA) 015-00-7052A	

Form SSA-1099-SM

Is Penny eligible to be claimed as a dependent on Carl and Janice's tax return? _____
 Is Terri (grandchild) eligible to be claimed as a dependent on the tax return? _____

Earned Income Credit

Are either Penny or Terri a qualifying dependent for the Earned Income Credit? _____
 What is their Adjusted Gross Income? _____
 What is the amount of EIC on the return? _____

Find answers in the file: *Answers to Practice Lab Self-Study Exercises*
 in the Self-Study 2018>H. Answers, etc. Module.

Learning Review

Earned Income Credit

1. John, 42, is single and provides the entire cost of maintaining the household and all support for his 12-year-old son, Sam and John's permanently and totally disabled brother, Jake. Jake lived with John all year. Jake provided over half his own support and is not eligible to be claimed as a dependent on John's return. John's earned income for the year was \$43,500. Who can John claim for EIC?	
2. Mary received a 1099-INT with \$2050 in interest income reported in box 1. Would that prevent her from receiving EIC?	
3. Filing a joint return with a spouse who has an ITIN instead of a social security number prevents a taxpayer from being eligible to receive EIC.	True or False
4. David has \$23,018 in earned income and his AGI is \$23,178. His filing status is Single. David's 21-year-old son lived with him for eight months, is not married, and a full-time college student. David cannot claim EIC.	True or False
5. Roger, age 24, lives alone, is single, and earns \$10,950. He is not the qualifying child of another person. Roger meets the requirements to claim EIC.	True or False
6. If Roger, from the example above, had a qualifying child, would he be eligible to claim EIC?	
7. Emma and Ned separated July 4 th and lived apart the rest of the year. They have two qualifying children. Emma lived with the children the entire year. Nick will not file jointly with Emma. Each will claim one child on their tax return. Who is eligible to claim EIC for the children?	

Answers to Learning Review

1. Both Sam and Jake qualify for EIC.
2. No. A taxpayer may receive up to \$3,500 in investment income and still be eligible for EIC.
3. True. Both spouses on a joint return must have valid social security numbers to be eligible to receive EIC.
4. False. David can claim his son because David has a qualifying child who lived with him more than half the year, and his earned income and AGI are both under \$40,320.
5. False. Roger is not between 25 and 65 and is therefore ineligible to claim EIC with a qualifying child.
6. Yes. The age limitations only apply when claiming EIC without children/dependents
7. No one is eligible to claim EIC. Emma and Ned have the option to file MFJ or MFS. Ned is not willing to file MFJ so both must use MFS filing status. HH is not an eligible filing status because Ned left after June 30. MFS filing status is ineligible for EIC