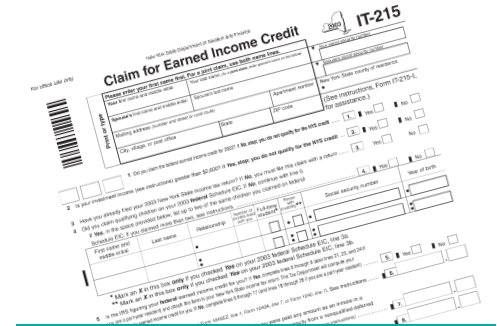


Facts about the

EARNED INCOME TAX CREDIT

“A Tax Credit for People Who Work”



Important Tax-Saving Information
from State Senator
Malcolm A. Smith

Dear Friend,


The **Earned Income Tax Credit (EITC)** is a special federal tax program to help low- and moderate-income working individuals and families reduce their income taxes and put more money in their pockets.

Congress originally approved this tax credit, in part, to offset the burden of Social Security taxes, and also to provide an incentive for lower-income people to work. The credit reduces the amount of federal tax owed, and may even result in a refund. Here’s how it works: If a qualifying individual or family owes income tax, EITC will reduce the amount of taxes owed. If your tax credit is more than your tax bill, you will receive a refund check—even if you don’t owe any taxes.


Furthermore, New York State offers its qualifying residents an additional tax credit equal to 30 percent of the federal EITC for tax year 2006.

I have put together this guide on the Earned Income Tax Credit to assist you in determining your eligibility for this credit under current tax guidelines. If you qualify, I strongly urge you to take advantage of the tax-saving benefits of the EITC.

I hope that you find this information on the EITC to be both helpful and informative. As always, please feel free to contact my office at **718-528-4290** if I or my staff can be of any assistance.

Sincerely,

 Malcolm A. Smith
 14th Senatorial District
 Senate Minority Leader

- **District Office** •
 205-19 Linden Boulevard, St. Albans, NY 11412 • (718) 528-4290
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Senator Malcolm A. Smith

Facts about the Earned Income Tax Credit

Each year, millions of low- and moderate-income workers across the country claim Earned Income Tax Credits (EITC) worth in the billions. This tax credit program has proven to be a significant benefit for working individuals and families in the past. Here's what you should know.

What is the EITC?

The EITC is a federal tax benefit designed to help low- and moderate-income workers increase their financial stability. It helps to reduce taxes for working individuals and families, and also to supplement their wages.

Workers who qualify for the EITC and file a federal tax return can get back some or all of the federal income tax subtracted from their pay during the year. Even workers whose earnings were too low to require them to file tax returns can qualify for the EITC. What's more, the EITC can reduce any additional taxes workers may owe.

Why is the EITC Important?

The EITC initiative helps many working people maintain their financial independence, lifting millions above the federal poverty line.

The largest EITC benefit is for working families with two or more children. This tax credit can help offset the costs of child care, clothing, school expenses and other needs.

This credit has also proven to be a financial boost to low-income working individuals without children. This includes those who are only able to work part-time, day laborers, temporary employees, migrant workers and others.

Put more money in your pocket

Who qualifies for the EITC?

Single or married people who worked full or part-time in 2006 can qualify for the EITC, depending on their income. Since the last tax season, the maximum amount of income you can earn and still claim has increased.

- If you are a worker with **one qualifying child**, your total earned income and your federal adjusted income must each be **less than \$32,001 (or \$34,001 for married workers)**.
- If you are a worker with **two or more qualifying children**, your total earned income and your federal adjusted income must each be **less than \$36,348 (or \$38,348 for married workers)**.
- If you are a worker **without any qualifying children**, and you were **between the ages of 25 and 64** as of December 31, 2006, your total earned income and your federal adjusted gross income must each be **less than \$12,120 (or \$14,120 for married workers)**.

Which children qualify in order to claim the EITC?

"Qualifying children" include: sons, daughters, stepchildren, grandchildren and adopted children — as long as they lived with the worker for more than half the year.

Foster children can be claimed if they lived with the worker more than half the year, and were placed with the worker by an authorized government or private placement agency.

For further information on the *federal EITC*, call the 24-hour Internal Revenue Service (IRS) Hotline at **1-800-TAX-1040**. To **order federal tax forms**, contact the IRS at **1-800-829-3676**. Information can also be accessed on the website of the Internal Revenue Service at www.irs.gov

Brothers, sisters, stepbrothers or stepsisters — as well as their sons and daughters — can be claimed as foster children if they lived with the worker more than half the year.

"Qualifying children" must be **under age 19, under age 24 if they are full-time students, or can be any age if permanently and/or totally disabled**. Valid Social Security numbers are required for qualifying children born before December 31, 2006.

How do I get the EITC?

Workers with qualifying children must file federal income tax return form **1040** or **1040A** and must complete and attach **Schedule EIC**.

Workers without qualifying children can file any tax form — **including form 1040EZ**. These workers write "EIC" (or the dollar amount of their credit) on the Earned Income Tax Credit line on the tax form. They do not file Schedule EIC.

A correct name and valid Social Security number must be provided for every person listed on the tax return and Schedule EIC, including infants born before December 31, 2006. **If this information is incorrect or missing, the IRS will delay the refund.**

Financial Help for Working Families

Further information about the *New York State EITC* is available by calling the informational hotline of the New York State Department of Taxation and Finance at **1-800-225-5829**, or by accessing their website at www.tax.state.ny.us

What are the rules about filing status?

To qualify for EITC, workers can file as "single," "head of household" or "married filing jointly."

The EITC is **NOT AVAILABLE** to taxpayers who file as "married filing a separate return."

How do I get the New York State/New York City EITC?

Those taxpayers who qualify for the federal EITC may also be eligible to receive the New York State EITC, which equals 30% of the federal credit for tax year 2006. In addition, residents of New York City qualify for an additional 5% of the federal credit.

To claim your New York State/City EITC, you must complete **state tax form IT-215 (Claim for Earned Income Credit)** and attach it to your state income tax return. Residents of NYC must also fill out the City of New York earned income credit worksheet on the same form.

If you file **form IT-100**, complete only the section discussing the claim for Earned Income Credit.

Detailed information on form IT-215 and how to file for the credit is available in all New York State income tax packets.