

## The Earned Income Credit For 2006

The EITC is for people who work, but have lower incomes. If you qualify, it could be worth up to \$4,500 this year. So you could pay less federal tax or even get a refund. That's money you can use to make a difference in your life.

Did you know that in Tax Year 2005, over 22 million taxpayers received \$41.4 billion dollars in EITC – making the credit a great investment in the lives of those who claim it? However, the IRS estimates 20 to 25% percent of people who qualify for the credit do not claim it. At the same time, there are millions of Americans who have claimed the credit in error, many of whom simply don't understand the criteria.

This year, it's even easier to determine whether you qualify for the EITC. The EITC Assistant, an interactive tool available on [IRS.gov](http://IRS.gov), removes the guesswork from eligibility rules. Just answer a few simple questions about yourself, your children, your living situation and your income to find out if you qualify and to estimate the amount of your EITC. You will see the results of your responses right away.

The EITC is based on the amount of your earned income and whether or not there are qualifying children in your household. If you have children, they must meet the relationship, age and residency requirements. Additionally, you must file a tax return to claim the credit.

If you were employed for at least part of 2006, you may be eligible for the EITC based on these general requirements:

- You earned less than \$12,120 (\$14,120 if married filing jointly) and did not have an any qualifying children
- You earned less than \$32,001 (\$34,001 if married filing jointly) and have one qualifying child
- You earned less than \$36,348 (\$38,348 if married filing jointly) and have more than one qualifying child.

In addition you must meet a few basic rules:

- You must have a valid Social Security Number
- You must have earned income from employment or from self-employment.
- Your filing status cannot be married, filing separately.
- You must be a U.S. citizen or resident alien all year, or a nonresident alien married to a U.S. citizen or resident alien and filing a joint return.
- You cannot be a qualifying child of another person.

## The Earned Income Credit For 2006

If you do not have a qualifying child, you must:

- be age 25 but under 65 at the end of the year,
- live in the United States for more than half the year, and
- not qualify as a dependent of another person

Also, you cannot file Form 2555 or 2555-EZ (related to foreign earn income)

Members of the military can elect to include their nontaxable combat pay in earned income for the earned income credit. If you make the election, you must include in earned income all nontaxable combat pay you received. If you are filing a joint return and both you and your spouse received nontaxable combat pay, then each of you can make your own election. The amount of your nontaxable combat pay should be shown on your Form W-2 in box 12 with code Q.

For more information about the EITC, go to [IRS.gov](http://IRS.gov) or see Publication 596, Earned Income Credit, which contains eligibility criteria and instructions for claiming the tax credit. Copies of the publication are available in English and Spanish and can be found on [IRS.gov](http://IRS.gov) or by calling 800-TAX-FORM (800-829-3676).