



Managing in Tough Times



Federal Incentive Payments for Low-Income Workers

The 2009 EITC

The Federal Earned Income Tax Credit (EITC) is the largest federal aid program available to working low-income families and individuals. Families who qualify can receive a lump sum payment of up to \$5,657 at tax time, or advance payments to increase their wages during the year. Most families use this payment to pay down their bills, make consumer purchases, increase emergency fund savings, purchase or repair a car, or pay for education. Unfortunately, in one study, only 62% of eligible working families claimed this federal incentive payment.

For 2009, there is both a federal and a state EITC for workers in Louisiana. The Louisiana Department of Social Services says benefits through the Office of Family Services are NOT affected by claiming the EITC. Many legal working immigrants may also qualify if they meet eligibility requirements. It is important to know that if workers were eligible for the EITC in previous years, and did not claim the EITC, then they may also be eligible to file amended tax returns and claim the payment for prior qualifying years.

Federal and state tax return forms must be completed to claim this EITC payment. The Internal Revenue Service has trained tax preparers to complete the necessary federal and state forms for **FREE** at VITA (Volunteer Income Tax Assistance) sites all over Louisiana. To locate the nearest **FREE** tax preparation VITA site, simply call 2-1-1.

If you want to complete the forms yourself, you do not have to itemize deductions in order to claim the EITC. Workers without children file Form 1040EZ. Workers with children can file Form 1040A or Form 1040. File Schedule EIC with your tax form to determine your Earned Income Tax Credit amount.

How is eligibility determined? Earned income and adjusted gross income, either from earnings from a business owned by the worker or from wages paid to the worker by an employer, must each be less than:

\$43,279 for singles (\$48,279 for married filing jointly) with 3 or more qualifying children

\$40,295 for singles (\$45,295 for married filing jointly) with 2 qualifying children

\$35,463 for singles (\$40,463 for married filing jointly) with 1 qualifying child

\$13,440 for singles (\$18,440 for married filing jointly) with no children

Tax Year 2009 (filing in 2010) maximum credit:
\$5,657 with 3 or more qualifying children
\$5,028 with 2 qualifying children
\$3,043 with 1 qualifying child
\$457 with no children

Investment income must be \$3,100 or less for the year.

The maximum of EITC advance that workers can receive from their employers is \$1,826. Workers can file a W-5 form with their employer, each year, to get some Earned Income Tax Credit payment in their paychecks.

Qualifying children are sons or daughters, adopted children, step or foster children, brothers or sisters, half or step brothers or sisters, or descendants of any of them, a grandchild, a niece, or a nephew. Children have to be under 19 years old, or under 24 and a full-time student, or any age and disabled. In 2009 the child had to have lived with the worker for at least 6 months, or all year if a foster child.

There are 2 new rules for the 2009 tax year:

- The child must be younger than the person claiming the child.
- The child must not have filed a joint return other than to claim a refund.

The EITC eligibility rules for workers without children (single adults or married couples) specify that the worker must be at least 25 but under age 65 to file.

Some families use the services of a commercial tax preparer. Paying for tax preparation is an expense low-income families can avoid. To locate **FREE** tax preparation services in Louisiana, call 2-1-1 for the nearest VITA site.

References:

The Internal Revenue Service @ <http://www.eitc.irs.gov/central/Preview2009/>

Mammen, S. and Lawrence, F.C., "How Rural Working Families Use the Earned Income Tax Credit: A Mixed Methods Analysis," Association for Financial Counseling and Planning Education, 2006

Developed by:

Gloria Nye, Ph.D.
Family & Consumer Sciences
St. Landry, St. Martin & Evangeline Parishes

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Louisiana State University Agricultural Center, William B. Richardson, Chancellor
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