



Department of the Treasury
Internal Revenue Service

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Earned Income Credit (EIC)

For use in preparing **1999** Returns

ARE YOU
ELIGIBLE

Look inside for...

- Detailed Examples
- Eligibility Requirements
- Advance EIC in Your Paycheck
- What To Do If You Were Sent Here From Your Tax Form

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Introduction– Begin Here

What is the EIC?

The earned income credit (EIC) is a tax credit for certain people who work and have earned income under \$30,580. A tax credit usually means more money in your pocket. It reduces the amount of tax you owe. The EIC may also give you a refund.

Can I Claim the EIC?

To see if you can claim the EIC, you must first meet all of the rules explained in chapter 1. Then you must meet the rules in chapter 2 or chapter 3, depending on whether you have a qualifying child. There are two final rules you must meet in chapter 4. All of the rules in these four chapters are summarized in *Table 1*.

Table 1. **Earned Income Credit in a Nutshell**

First, you must meet all rules in this column.	Second, you must meet all the rules in either of these columns.		Third, you must meet all the rules in this column.
Chapter 1. Rules for Everyone	Chapter 2. Rules If You Have a Qualifying Child	Chapter 3. Rules If You Do Not Have a Qualifying Child	Chapter 4. Figuring and Claiming the EIC
<p>1. You must have a valid social security number. (See page 5.)</p> <p>2. Your filing status cannot be “Married filing separately.” (See page 6.)</p> <p>3. You must be a U.S. citizen or resident alien all year. (See page 6.)</p> <p>4. You cannot file Form 2555 or Form 2555–EZ (relating to foreign earned income). (See page 6.)</p> <p>5. Your investment income must be \$2,350 or less. (See page 6.)</p> <p>6. You must have earned income. (See page 7.)</p>	<p>7. Your child must meet the relationship, age, and residency tests. (See page 11.)</p> <p>8. Your qualifying child cannot be the qualifying child of another person with a higher modified AGI. (See page 14.)</p> <p>9. You cannot be a qualifying child of another person. (See page 17.)</p>	<p>10. You must be at least age 25 but under age 65. (See page 18.)</p> <p>11. You cannot be the dependent of another person. (See page 18.)</p> <p>12. You cannot be a qualifying child of another person. (See page 19.)</p> <p>13. You must have lived in the United States more than half of the year. (See page 19.)</p>	<p>14. Your earned income must be less than:</p> <ul style="list-style-type: none"> •\$30,580 if you have more than one qualifying child, •\$26,928 if you have one qualifying child, or •\$10,200 if you do not have a qualifying child. (See page 21.) <p>15. Your modified AGI must be less than:</p> <ul style="list-style-type: none"> •\$30,580 if you have more than one qualifying child, •\$26,928 if you have one qualifying child, or •\$10,200 if you do not have a qualifying child. (See page 22.)

Although everyone can use this publication to figure their EIC, most people can choose to follow the steps in their tax form instructions instead. Some of the worksheets in the tax form instructions are shorter and easier than the ones found in this publication. The worksheets in this publication cover more situations.



If you claim the EIC and it is later disallowed, you may have to complete an additional form if you want to claim the credit in a following year. See chapter 5 for more information.

What If I Was Sent Here From the Instructions For Form 1040 or Form 1040A?

Certain people must use this publication to see if they can take the EIC and to figure the amount of the credit. You must meet all of the rules in chapters 1 and 4, and all of the rules in either chapter 2 or 3 (whichever applies). If you were sent here from *Step 3* of your tax form instructions, you have met at least the first four rules in chapter 1. You now have to go to either *Rule 5* or *Rule 6*. Use *Table 2*, below, to see which rule to begin with.

Table 2. What if I was sent here from the instructions for Form 1040 or Form 1040A?

IF you must use this publication because...	THEN you must meet the rules in this publication and you can...
Your investment income (from Step 2 of the Form 1040 instructions) is more than \$2,350 and you are filing Form 4797 (relating to sales of business property)	Begin with Rule 5 in chapter 1 (page 6). ¹
You are filing Schedule E (Form 1040)	Begin with Rule 5 in chapter 1 (page 6). ¹
You are reporting income or a loss from the rental of personal property not used in a trade or business	Begin with Rule 5 in chapter 1 (page 6). ¹
You are claiming a loss on Form 1040, line 12, 13, or 18	Begin with Rule 6 in chapter 1 (page 7).
You (or your spouse if filing a joint return) received distributions from a pension, annuity, or IRA that are not fully taxable	Begin with Rule 6 in chapter 1 (page 7).
You owe alternative minimum tax (AMT), found on Form 1040, line 51, or included in the total found on Form 1040A, line 34	Begin with Rule 6 in chapter 1 (page 7).
¹ You do not need to read the rest of this table.	

How Do I Figure the Amount Of EIC?

If you can claim the EIC, you can either have the IRS figure the amount of your credit, or you can figure it yourself. To figure it yourself, you can complete *EIC Worksheet A* or *B* in chapter 4. Or, unless you must use this publication, you can complete the worksheet in the instructions for the form you file.

How Can I Quickly Locate Specific Information?

You can use the index to look up specific information. In most cases, index entries will point you to headings, tables, worksheets, or to text in bold face.

How Can I Get EIC In My Paycheck In the Year 2000?

If you have a qualifying child, you may prefer to get some of next year's credit throughout the year, rather than wait and get the credit after you file your tax return. Chapter 6 explains advance payment of EIC and tells how you may be able to get some of the credit in your paycheck.

Important Reminders

Earned income credit has no effect on certain welfare benefits. The EIC and advance EIC payments you receive will not be used to determine whether you are eligible for the following benefit programs, or how much you can receive from these programs.

- Temporary assistance for needy families (TANF).
- Medicaid and supplemental security income (SSI).
- Food stamps.
- Low-income housing.

Reporting advance payments of EIC received in 1999. If you received advance payments of EIC in 1999, you must file Form 1040 or Form 1040A to report the payments. Your Form W–2, box 9, (as shown in Figure 1, below) will show the amount you received. Report the amount on line 54 (Form 1040), or line 33 (Form 1040A).

Figure 1. Reporting Advance EIC

a Control number		OMB No. 1545-0008	
b Employer identification number		9 Advance EIC payment	Federal income tax withheld
c Employer's name, address, and ZIP code		5	6 Medicare tax withheld
		7 Social security tax withheld	8 Allocated tips
d Employee's social security number		9 Advance EIC payment	10 Dependent care benefits
e Employee's name, address, and ZIP code		11 Nonqualified plans	12 Benefits included in box 1
		13 See instrs. for box 13	14 Other
		15 Statutory employee <input type="checkbox"/>	Deceased <input type="checkbox"/>
		Pension plan <input type="checkbox"/>	Legal rep. <input type="checkbox"/>
		Deferred compensation <input type="checkbox"/>	
16 State	Employer's state I.D. no.	17 State wages, tips, etc.	18 State income tax
			19 Locality name
			20 Local wages, tips, etc.
			21 Local income tax

Form **W-2 Wage and Tax Statement** **1999**
 Copy B To Be Filed With Employee's FEDERAL Tax Return

Department of the Treasury—Internal Revenue Service

This information is being furnished to the Internal Revenue Service.

Spanish version of Publication 596. You can order Publicación 596SP, *Crédito por Ingreso del Trabajo*, from IRS. It is a Spanish translation of Publication 596. See *How To Get More Information* in the *Appendix* to find out how to order this and other IRS forms and publications.

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Chapter 1. Rules for Everyone



This chapter discusses Rules 1 through 6. You must meet all six rules to qualify for the earned income credit. If you do not meet all six rules, you cannot get the credit and you do not need to read the rest of the publication.

Note. If you meet all six rules in this chapter, then read either chapter 2 or chapter 3 (whichever applies) for more rules you must meet.

Rule 1. Social Security Number (SSN)

Rule 1 You Must Have a Valid Social Security Number (SSN)

SSN that allows you to work. To claim the EIC, you **must** have a valid SSN for you and your spouse (if filing a joint return) and any qualifying child (See *Rule 7.*) SSNs are issued by the Social Security Administration. Most SSNs are issued to U.S. citizens or to persons who have permission from the Immigration and Naturalization Service to work in the United States. Some SSNs are issued solely for use in applying for or receiving federally funded benefits. You can claim the EIC only if you have an SSN that allows you to work. If your social security card says “Not valid for employment,” you cannot get the EIC.

U.S. citizen. If you were a U.S. citizen when you received your SSN, you meet this rule.

SSN missing or incorrect. If an SSN for you or your spouse is missing from your tax return or is incorrect, you may not get the EIC.

Other taxpayer identification number. You cannot get the EIC if, instead of an SSN, you (or your spouse if filing a joint return) have an individual taxpayer identification number (ITIN). ITINs are issued by the Internal Revenue Service to noncitizens who cannot get an SSN.

No SSN. If you do not have a valid SSN that allows you to work, put “No” directly to the right of line 59a (Form 1040), line 37a (Form 1040A), or to the right of the word “below” on line 8b (Form 1040EZ).

Getting an SSN. If you (or your spouse if filing a joint return) do not have an SSN, you can apply for one by filing **Form SS-5** with the Social Security Administration.

Filing deadline approaching and still no SSN. If the filing deadline is approaching and you still do not have an SSN, you have two choices.

- 1) Request an automatic 4-month extension of time to file your return (Form 4868). This extension does not give you extra time to pay any tax owed. You should pay any amount you expect to owe to avoid interest or penalty charges. (For more information, see the instructions for Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.*)
- 2) File the return on time without claiming the EIC. After receiving the SSN, file an amended return (Form 1040X) claiming the EIC. Attach a filled-in Schedule EIC if you have a qualifying child.

Rule 2.
Married Person's Filing Status

Rule 2 Your Filing Status Cannot Be “Married Filing Separately”

If you are married, you usually must file a joint return to claim the EIC. Your filing status cannot be “Married filing separately.”

Spouse did not live with you. If you are married and your spouse did not live in your home at any time during the last 6 months of the year, you may be able to file as head of household, instead of married filing separately. In that case, you may be able to claim the EIC. For detailed information about filing as head of household, see Publication 501, *Exemptions, Standard Deduction, and Filing Information*.

Rule 3.
Nonresident Alien

Rule 3 You Must Be a U.S. Citizen or Resident Alien All Year

You cannot claim the earned income credit if you are a nonresident alien for any part of the year, unless:

- 1) You are married to a U.S. citizen or a resident alien, **and**
- 2) You choose to be treated as a resident for all of 1999 by filing a joint return.

If you need more information on making this choice, get Publication 519, *U.S. Tax Guide for Aliens*.

Note. If you make the choice in (2) above, you and your spouse are taxed on your worldwide income. You cannot claim any tax treaty benefits as a resident of a foreign country during a tax year in which the choice is in effect.

Rule 4.
Foreign Earned Income

Rule 4 You Cannot File Form 2555 or Form 2555–EZ

You cannot claim the earned income credit if you file Form 2555, *Foreign Earned Income*, or Form 2555–EZ, *Foreign Earned Income Exclusion*. You file these forms to exclude income earned in foreign countries from your gross income, or to deduct or exclude a foreign housing amount. U.S. possessions are not foreign countries. See Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, for more detailed information.

Rule 5.
Investment Income

Rule 5 Your Investment Income Must Be \$2,350 or Less

You cannot claim the earned income credit unless your investment income is \$2,350 or less. If your investment income is more than \$2,350, you cannot claim the credit.

Form 1040EZ. If you file Form 1040EZ, your investment income is the total of the amounts on line 2 and any tax-exempt interest you wrote in the space to the right of the words “Form 1040EZ” on line 2 of that form.

Form 1040A. If you file Form 1040A, your investment income is the total of the amounts on lines 8a (taxable interest), 8b (tax-exempt interest), and 9 (dividends) of that form.

Form 1040. If you file Form 1040, use *Worksheet 1* in this publication to figure your investment income.



Worksheet 1: Investment Income If You Are Filing Form 1040



Interest and Dividends		
1. Enter the amount from Form 1040, line 8a.		1. _____
2. Enter the amount from Form 1040, line 8b.		2.+ _____
3. Enter the amount from Form 1040, line 9.		3.+ _____
Capital Gain Net Income		
4. Enter the amount from Form 1040, line 13. If the amount on that line is a loss, enter zero.	4. _____	
5. Enter any gain from Form 4797, <i>Sales of Business Property</i> , line 7, column (g). If the amount on that line is a loss, enter zero. (But, if you completed lines 8 and 9 of Form 4797, enter the amount from line 9, column (g) instead.)	5.- _____	
6. Subtract line 5 of this worksheet from line 4 of this worksheet. (If the result is less than zero, enter zero.)		6.+ _____
Royalties and Rental from Personal Property		
7. Enter any royalty income from Schedule E, line 4.	7. _____	
8. Enter any income from the rental of personal property shown on Form 1040, line 21.	8.+ _____	
9. Add the amounts on lines 7 and 8 of this worksheet.		9. _____
10. Enter the amount of any expenses from Schedule E, line 21, related to royalty income.	10. _____	
11. Enter the amount of any expenses from the rental of personal property deducted on Form 1040, line 32.	11.+ _____	
12. Add the amounts on lines 10 and 11 of this worksheet.		12. _____
13. Subtract the amount on line 12 of this worksheet from the amount on line 9. (If the result is less than zero, enter zero.)		13. _____
Passive Activities		
14. Enter the total of any net income from passive activities (included on Schedule E, lines 26, 28a (col. (h)), 33a (col. (d)), and 39). (See instructions below for lines 14 and 15.)	14. _____	
15. Enter the total of any losses from passive activities (included on Schedule E, lines 26, 28b (col. (g)), 33b (col. (c)), and 39). (See instructions below for lines 14 and 15.)	15. _____	
16. Combine the amounts on lines 14 and 15 of this worksheet. (If the result is less than zero, enter zero.)		16.+ _____
17. Add the amounts on lines 1, 2, 3, 6, 13, and 16. Enter the total. This is your Investment Income.		17.= _____
<p>Instructions for lines 14 and 15 of worksheet. In figuring the amount to enter on lines 14 and 15, do not take into account any royalty income (or loss) included on line 26 of Schedule E or any amount included in your taxable earned income. To find out if the income on line 26 or line 39 of Schedule E is from a passive activity, see the Schedule E instructions. If any of the rental real estate income (or loss) included on Schedule E, line 26, is not from a passive activity, print "NPA" and the amount of that income (or loss) on the dotted line next to line 26.</p>		

Rule 6. Earned Income

Rule 6 You Must Have Earned Income

This credit is called the "earned income credit" because, to qualify, you must work and have earned income. If you are married and file a joint return, you meet this rule if at least one spouse works and has earned income. Earned income includes all the income you get from working — even if it is not taxable. You will figure your earned income in

chapter 4 by adding your taxable and nontaxable earned income. *Worksheet 2* will help you figure these amounts.

Taxable Earned Income

Taxable earned income includes:

- 1) Wages, salaries, and tips,
- 2) Net earnings from self-employment, and
- 3) Gross income received as a statutory employee.

Wages, salaries, and tips. Wages, salaries, and tips you receive for working are earned income. They are reported to you on Form W-2, box 1. You should report these on line 1 (Form 1040EZ) or line 7 (Forms 1040A and 1040).

Tip for household employees. If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1999, be sure to include the amount you were paid on line 7 (Form 1040 or 1040A) or line 1 (Form 1040EZ).

Net earnings from self-employment. You may have net earnings from self-employment if:

- You own your business, or
- You are a minister or member of a religious order.

Statutory employee. You are a statutory employee if you receive a Form W-2 on which the “Statutory employee” box (box 15) is checked. You report your income and expenses as a statutory employee on Schedule C or C-EZ (Form 1040).

Nontaxable Earned Income

This includes anything of value (money, goods, or services) that is not taxable that you received from your employer for your work. Common types of nontaxable earned income are listed in the following paragraphs.

Salary deferrals and reductions.

- Salary deferrals. These are contributions from your pay to certain retirement plans (such as a 401(k) plan or the Federal Thrift Savings Plan). These amounts are shown in box 13 of your Form W-2. The “Deferred compensation” box (box 15) of your Form W-2 should be checked.
- Salary reductions, such as under a cafeteria plan unless they are included in box 1 of your Form W-2. A cafeteria plan is a benefit plan offered by your employer that allows you to choose among two or more benefits consisting of cash and benefits that are not taxed. If you choose a benefit that is not taxed (such as accident and health insurance), the amount of the salary reduction is nontaxable earned income when figuring the EIC.
- Mandatory contributions to a state or local retirement plan.

Meals and lodging.

- Military employee basic housing and subsistence allowances, the value of in-kind housing and subsistence, and combat zone compensation. These amounts are shown in box 13 of your Form W-2 with code “Q.” See Publication 3, *Armed Forces’ Tax Guide*, for detailed information.
- Meals and lodging provided for the convenience of your employer.

- Housing allowance or rental value of a parsonage for the clergy. But do not include either of these items in *Worksheet 2* on page 22, unless the item does not have to be included on Schedule SE, line 2.

Excludable employer-provided benefits.

- Dependent care benefits (line 18 of Form 2441 or Schedule 2 (Form 1040A)).
- Adoption benefits (Form 8839, line 30).
- Educational assistance benefits (these may be shown in box 14 of your Form W–2).

Native Americans

If you are a Native American and received amounts for services performed as an employee that are exempt from federal income tax under the Internal Revenue Code or because of a treaty, agreement, Act of Congress, or other federal law, these amounts are nontaxable earned income when figuring the EIC. (However, any tax-exempt income you received for performing services as a self-employed individual is not earned income when figuring the EIC.)

Approved Form 4361 or Form 4029

This section is for persons who have an approved:

- Form 4361, *Application for Exemption from Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners*, or
- Form 4029, *Application for Exemption from Social Security and Medicare Taxes and Waiver of Benefits*.

Each approved form exempts certain income from social security taxes. Each form is discussed in this section in terms of what is or is not earned income for purposes of the EIC.

Form 4361. Even if you have an approved Form 4361, amounts you received for performing ministerial duties as an employee count as earned income. This includes wages, salaries, tips, and “other employee compensation.” “Other employee compensation” includes nontaxable compensation such as housing allowances or the rental value of a parsonage that you receive for services as an employee. Amounts you received for performing ministerial duties, but not as an employee, do not count as earned income. Examples include fees for performing marriages and honoraria for delivering speeches.

Form 4029. Even if you have an approved Form 4029, all wages, salaries, tips, and other employee compensation count as earned income. However, amounts you received as a self-employed individual do not count as earned income. Also, in figuring earned income, do not subtract losses on Schedule C, C–EZ, or F from wages on line 7 of Form 1040.

Disability Benefits

If you retired on disability, benefits you receive under your employer’s disability retirement plan are considered earned income until you reach minimum retirement age. Minimum retirement age generally is the earliest age at which you could have received a pension or annuity if you were not disabled. You must report your taxable disability payments on line 7 of either Form 1040 or Form 1040A until you reach minimum retirement age.

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension and are not considered earned income. Report taxable pension payments on Form 1040, lines 16a and 16b, or Form 1040A, lines 11a and 11b.

Disability insurance payments. Payments you received from a disability insurance policy that you paid the premiums for are not earned income. It does not matter whether you have reached minimum retirement age. If this policy is through your employer, the amount may be shown in box 13 of your Form W-2 with code “J.”

Income That Is Not Earned Income

Examples of items that are **NOT** earned income include interest and dividends, pensions and annuities, social security and railroad retirement benefits, alimony and child support, welfare benefits, workers’ compensation benefits, unemployment compensation (insurance), nontaxable foster care payments, and veterans’ benefits, including VA rehabilitation payments. Do **NOT** include any of these items in your nontaxable or taxable earned income.

Earnings while an inmate. Amounts received for work performed while an inmate in a penal institution are not earned income when figuring the earned income credit. These amounts include amounts received through a work release program or while in a halfway house.

Workfare payments. Nontaxable workfare payments are not earned income for the EIC. These are cash payments certain people receive from a state or local agency that administers public assistance programs funded under the federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as (1) work experience activities (including remodeling or repairing public housing) if sufficient private sector employment is not available, or (2) community service program activities.

Community property. If you are married, qualify to file as head of household, and live in a state that has community property laws, your earned income for the EIC does not include any amount earned by your spouse that is treated as belonging to you under those laws. That amount is not earned income for the EIC, even though you must include it in your gross income on your income tax return. Your earned income includes the entire amount you earned, even if part of it is treated as belonging to your spouse under your state’s community property laws.

Chapter 2. Rules If You Have a Qualifying Child



If you have met all the rules in chapter 1, use this chapter to see if you have a qualifying child. This chapter discusses Rules 7 through 9. You must meet all three of those rules, in addition to the rules in chapters 1 and 4, to qualify for the earned income credit with a qualifying child.

Note. You must file Form 1040 or Form 1040A to claim the EIC with a qualifying child. (You cannot file Form 1040EZ.) You must also complete Schedule EIC and attach it to your return. If you meet all the rules in chapter 1 and this chapter, read chapter 4 to find out what to do next.

No qualifying child. If you do not meet *Rule 7*, you do not have a qualifying child. Read chapter 3 to find out if you can get the earned income credit.

Rule 7. Qualifying Child

Rule 7 Your Child Must Meet the Relationship, Age, and Residency Tests

Your child is a qualifying child if your child meets three tests. The three tests are:

- 1) Relationship,
- 2) Age, and
- 3) Residency.

The three tests are illustrated in *Figure 2* on page 12. The paragraphs that follow contain more information about each test.



Relationship Test

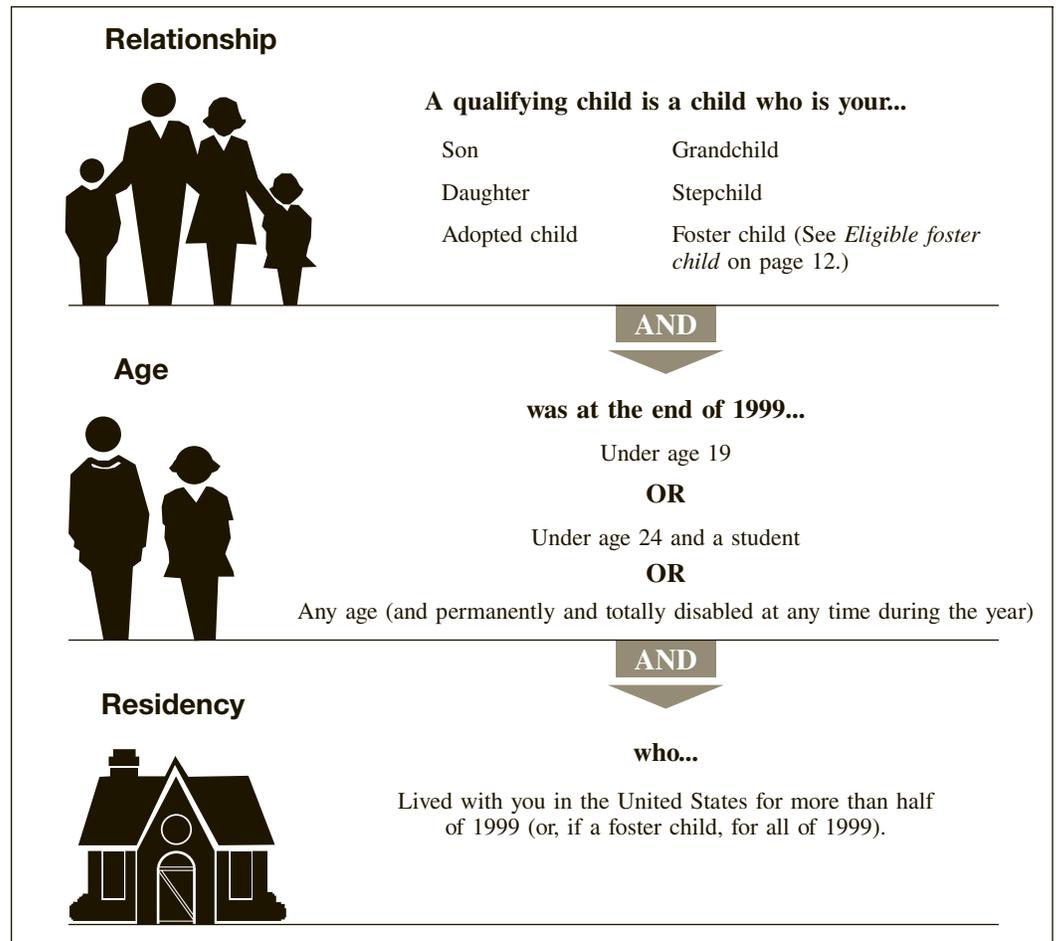
Your child must be either your son, daughter, adopted child, grandchild, stepchild, or eligible foster child. The following definitions clarify the relationship test.

Adopted child. Your adopted child includes a child placed with you for adoption by an authorized placement agency, even if the adoption is not final.

Grandchild. For the EIC, this means any descendant of your son, daughter, or adopted child. For example, a grandchild includes your great-grandchild, great-great-grandchild, etc.

Child not a dependent. Your child does not have to be your dependent to be a qualifying child, unless he or she is married.

Figure 2. Tests for Qualifying Child



Married child. If your child was married at the end of the year, he or she does not meet the relationship test unless either of these two situations applies to you:

- 1) You can claim the child's exemption, or
- 2) The reason that you cannot claim the child's exemption is that you gave that right to your child's other parent:
 - a) When you completed Form 8332 or a similar written statement, or
 - b) In a pre-1985 agreement (such as a separation agreement or divorce decree).

Tip:
The eligible foster child does not have to be related to you.

Eligible foster child. For the EIC, a person is your eligible foster child if:

- 1) You cared for that child as you would your own child, and
- 2) The child lived with you for the **whole** year, except for temporary absences (explained on page 14).

Example.
Eligible foster child

Example. You and your sister live together. You are 30. Your sister is 15. When your parents died 2 years ago, you took over the care of your sister, but you did not adopt her. Your sister meets the relationship test. She is considered your eligible foster child because she lived with you all year and because you cared for her as you would your own child.



Age Test

Your child must be:

- 1) Under age 19 at the end of 1999,
- 2) A full-time student under age 24 at the end of 1999, or
- 3) Permanently and totally disabled at any time during 1999, regardless of age.

The following definitions clarify the age test.

Full-time student. A full-time student is a student who is enrolled for the number of hours or courses the school considers to be full-time attendance.

Student defined. To qualify as a student, your child must be, during some part of each of any 5 calendar months during the calendar year:

- 1) A full-time student at a school that has a regular teaching staff, course of study, and regular student body, or
- 2) A student taking a full-time, on-farm training course given by a school described in (1), or a state, county, or local government.

The 5 calendar months need not be consecutive.

School defined. A school can be an elementary school, junior or senior high school, a college, university, or a technical, trade, or mechanical school. However, on-the-job training courses, correspondence schools, and night schools do not count as schools for the EIC. (But, see *Night school*, later.)

Vocational high school students. Students who work in co-op jobs in private industry as a part of a school's regular course of classroom and practical training are considered full-time students.

Night school. Your child is not a full-time student if he or she attends school only at night. However, full-time attendance at a school may include some attendance at night as part of a full-time course of study.

Permanently and totally disabled. Your child is permanently and totally disabled if **both** of the following apply.

- 1) He or she cannot engage in any substantial gainful activity because of a physical or mental condition.
- 2) A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.



Residency Test

Your child must have lived with you in the United States for more than half of 1999 (all of 1999 if an eligible foster child). The following definitions clarify the residency test.

Home. Your home can be any location where you regularly live within one of the 50 states or the District of Columbia.

Homeless shelter. You do not need a traditional home. For example, if your child lived with you for more than half the year in one or more homeless shelters, your child meets the residency test.

Military personnel stationed outside the United States. U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period for purposes of the EIC.

Extended active duty. Extended active duty means you are called or ordered to duty for an indefinite period or for a period of more than 90 days. Once you begin serving your extended active duty, you are still considered to have been on extended active duty even if you serve less than 90 days.

Birth or death of a child. If your child was born or died in 1999, he or she is considered to meet the residency test if your home was the child's home for the entire time he or she was alive during 1999.

Temporary absences. Count time that you or your child is away from home on a temporary absence due to a special circumstance as time lived at home. Examples of a special circumstance include:

- Illness,
- School attendance,
- Business,
- Vacation, and
- Military service.



Social security number.

Your qualifying child must have a valid social security number (SSN), unless the child was born and died in 1999. You cannot claim the EIC if:

- 1) Your qualifying child's SSN is missing from your tax return or is incorrect,
- 2) Your qualifying child's SSN was issued solely for use in applying for or receiving federally funded benefits,
- 3) Your qualifying child's social security card says "Not valid for employment," or
- 4) Instead of an SSN, your qualifying child has:
 - a) An individual taxpayer identification number (ITIN), which is issued to a noncitizen who cannot get an SSN, or
 - b) An adoption taxpayer identification number (ATIN), which is issued to adopting parents who cannot get an SSN for the child being adopted until the adoption is final.

If you have two qualifying children and only one has a valid SSN, you can claim the EIC on the basis of that child only. For more information about SSNs, see *SSN that allows you to work*, on page 5.

Rule 8.
Qualifying Child of More Than One Person

Rule 8 Your Qualifying Child Cannot Be the Qualifying Child of Another Person With a Higher Modified AGI

Sometimes a child meets the rules to be a qualifying child of more than one person. However, only one person can claim the credit using that child. The paragraphs that



follow will help you decide who can claim the EIC when more than one person has the same qualifying child.

Which person can claim the EIC. If you and someone else have the same qualifying child, the person with the higher modified adjusted gross income (AGI) is the only one who may be able to claim the EIC using that child. The person with the lower modified AGI cannot use that child to claim the EIC. This is true even if the person with the higher modified AGI does not claim the EIC or meet all of the rules to claim the EIC. If the other person is your spouse and you file a joint return, this rule does not apply. If three or more persons have the same qualifying child, the person with the highest modified AGI is the only one who may be able to claim the EIC using that child.

Note. For most people modified AGI is the same as AGI (line 33, Form 1040, line 18, Form 1040A, or line 4, Form 1040EZ). Modified AGI is explained in detail in chapter 4.

If your qualifying child meets the tests to be a qualifying child of any other person for 1999 and you have the higher modified AGI, you meet this rule. If you do not have the higher modified AGI, **STOP**. You cannot claim the credit either with or without a qualifying child. Put “No” beside line 59a (Form 1040) or line 37a (Form 1040A).

Examples. The following examples may help you in determining whether you can claim the EIC when you and someone else have the same qualifying child.

Examples:
You lived with your parent

Example 1. You and your son lived with your mother all year. You are 25 years old. Your only income was \$9,300 from a part-time job. Your mother’s only income was \$15,000 from her job.

Your son is a qualifying child of both you and your mother because he meets the relationship, age, and residency tests for both you and your mother. However, because you both have the same qualifying child, only one of you can claim the EIC. Because your mother’s modified AGI (\$15,000) is more than your modified AGI (\$9,300), only your mother may be able to claim the EIC. You cannot claim the credit for persons either with or without a qualifying child.

Example 2. The facts are the same as in *Example 1*, but your mother had investment income of \$3,000. Your mother cannot claim the EIC because her investment income is more than \$2,350. (See *Rule 5*.) Even though your mother cannot claim the EIC, you cannot claim it either because your mother’s modified AGI is more than yours.

Examples:
You lived with another relative

Example 3. You and your sister shared a household for the entire year. You have three young children who lived in the household. Your sister does not have any children. However, she cares for your children as if they were her own. You earned \$15,000 and she earned \$20,000. Neither of you had any other income.

The children meet the age and residency tests for both you and your sister. They meet the relationship test for you because they are your children. They also meet the relationship test for your sister because they lived with her for the whole year and she cared for them as if they were her own. Therefore, they qualify as her eligible foster children.

Your children are qualifying children of both you and your sister. However, because your sister’s modified AGI is higher than yours, she is the only one who may be able to claim the EIC.

You and your sister cannot split the three qualifying children between you. You cannot claim the credit even though your sister enters the names of only two of the children on her Schedule EIC. (Schedule EIC has spaces for the names of only two qualifying children because the credit is the same amount for two or more qualifying children.)

Example 4. The facts are the same as in *Example 3*, except that your oldest child is a full-time college student. Your sister does not care for this child as if the child were her own. Only the two younger children are qualifying children of both you and your sister. Your sister is the only one who may be able to claim the EIC on the basis of these two children because her modified AGI is higher than your modified AGI. Your oldest child is a qualifying child of you, but not your sister. Only you may be able to claim the EIC on the basis of this child.

Example 5. You, your spouse, and your 10-year-old son lived together until July 15, 1999, when your spouse moved out of the household. In November 1999, you and your spouse were divorced. Your modified AGI was \$13,000. Your former spouse's modified AGI was \$18,000. Your son is a qualifying child of both you and your former spouse because your son lived with each of you for more than half the year and because he met the relationship and age tests for both of you. However, because your former spouse's modified AGI (\$18,000) was more than your modified AGI (\$13,000), your former spouse is the only one who may be able to claim the EIC for 1999. You cannot claim the credit for persons either with or without a qualifying child.

Examples:

You lived with someone not related to you

Example 6. You, your 2-year-old son, and your son's father lived together all year. You and your son's father are not married. Your modified AGI was \$18,000. Your son's father's modified AGI was \$20,000.

Your son is a qualifying child of both you and his father because he meets the relationship, age, and residency tests for both you and his father. Because the father's modified AGI was more than yours, only he may be able to claim the EIC. You cannot claim the EIC for persons either with or without a qualifying child.

Example 7. You and your 5-year-old son moved in with your boyfriend in February 1999. Your boyfriend cares for your son as he would his own son. In December 1999, you had another child. Your boyfriend is the father. Your earned income and modified AGI were \$5,000. Your boyfriend's earned income and modified AGI were \$25,000.

Your 5-year-old son is your qualifying child, but not a qualifying child of your boyfriend, because your son and your boyfriend did not live together for the entire year. For this reason, only you can claim the EIC on the basis of your son.

The baby is a qualifying child of both you and your boyfriend. Because of this, only the person with the higher modified AGI can claim the EIC on the basis of the baby. Your boyfriend's modified AGI is higher than yours. Therefore, only he can claim the EIC on the basis of the baby.

If you meet all of the other rules, you can claim the EIC with one qualifying child, your son. If he meets all of the other rules, your boyfriend can claim the EIC with one qualifying child, the baby.

Example 8. You, your 8-year-old daughter, and your friend lived together all year. You and your friend are not married but share parental responsibilities and live as a family. Your friend cares for your daughter as she would care for her own child. Your earned income and modified AGI were \$8,000. Your friend's earned income and modified AGI were \$10,000.

Your daughter meets the age and residency tests for both you and your friend. She meets the relationship test for you because she is your daughter. She meets the relationship test for your friend because she qualifies as your friend's eligible foster child.

Your daughter is a qualifying child of both you and your friend. Because your friend's modified AGI is higher than yours, she is the only one who may be able to claim the credit. You cannot claim the credit for persons either with or without a qualifying child.

Example 9. The facts are the same as in *Example 8*, except that your friend does not care for your daughter as she would care for her own child. Your daughter is not a qualifying child of your friend, so only you may be able to claim the EIC on the basis of your daughter. Your friend may be able to claim the EIC for persons without a qualifying child if she meets all the requirements. (See chapter 3.)

Rule 9.
Qualifying Child of Another
Person

Rule 9 You Cannot Be a Qualifying Child of Another
Person

You are a qualifying child of another person (your parent, guardian, foster parent, etc.) if:

- 1) You are that person's son, daughter, adopted child, stepchild, grandchild, or eligible foster child,
- 2) At the end of the year you were under age 19, or under age 24 and a full-time student, or any age if you were permanently and totally disabled at anytime during the year, **and**
- 3) You lived with that person in the United States for more than half of the year (all year if you were an eligible foster child). For the EIC, U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period. See *Military personnel stationed outside the United States* on page 14 if you need more information.

If you (or your spouse if filing a joint return) are a qualifying child of another person, you cannot claim the EIC. This is true even if the person for whom you are a qualifying child does not claim the EIC or meet all of the rules to claim the EIC. Put "No" beside line 59a (Form 1040) or line 37a (Form 1040A).

Example:
Qualifying child of another
person

Example. You and your daughter lived with your mother all year. You are 22 years old and attended a trade school full time. You had a part-time job and earned \$5,700. You had no other income. Because you meet the relationship, age, and residency tests, you are a qualifying child of your mother. She can claim the EIC if she meets all the other requirements. Because you are your mother's qualifying child, you cannot claim the EIC. This is so even if your mother cannot or does not claim the EIC.

Chapter 3. Rules If You Do Not Have a Qualifying Child

A
B
C's *Use this chapter if you do not have a qualifying child and have met all the rules in chapter 1. This chapter discusses Rules 10 through 13. You must meet all four of those rules, in addition to the rules in chapters 1 and 4, to qualify for the earned income credit without a qualifying child.*

Note. You can file Form 1040, Form 1040A, or Form 1040EZ to claim the EIC without a qualifying child. If you meet all the rules in chapter 1 and this chapter, read chapter 4 to find out what to do next.

Rule 10.
Age

Rule 10 You Must Be at Least Age 25 but Under Age 65

You must be at least age 25 but under age 65 at the end of 1999. If you are married filing a joint return, either you or your spouse must be at least age 25 but under age 65 at the end of 1999. It does not matter which spouse meets the age test, as long as one of the spouses does.

If neither you nor your spouse meets the age test, put “No” directly to the right of line 59a (Form 1040), line 37a (Form 1040A), or to the right of the word “below” on line 8b (Form 1040EZ).

Examples:
Age

Example 1. You are age 28 and unmarried. You meet this rule.

Example 2. You are married and filing a joint return. You are age 23 and your spouse is age 27. You meet this rule because your spouse is at least age 25 but under age 65.

Rule 11.
Dependent of Another Person

Rule 11 You Cannot Be the Dependent of Another Person

If you are **not** filing a joint return, you meet this rule if:

- You checked box 6a on Form 1040 or 1040A, **or**
- You checked the “No” box on line 5 of Form 1040EZ.

If you are filing a joint return, you meet this rule if:

- You checked both box 6a and box 6b on Form 1040 or 1040A, **or**
- You and your spouse checked the “No” box on line 5 of Form 1040EZ.

If you are not sure whether someone else can claim you (or your spouse if filing a joint return) as a dependent, get Publication 501 and read the rules for claiming a dependent. If someone else can claim you (or your spouse if filing a joint return) as a dependent on his or her return, but does not, you still cannot claim the credit.

Examples:
Dependent of another person

Example 1. In 1999, you were age 25, single, and living at home with your parents. You worked and were not a student. You earned \$7,500. Your parents cannot claim you as a dependent. When you file your return, you claim an exemption for yourself by checking the “No” box on line 5 of your Form 1040EZ. You meet this rule.

Example 2. The facts are the same as in *Example 1*, except that you earned \$2,000. Your parents can claim you as a dependent but decide not to. You do not meet this rule. You cannot claim the credit because your parents could have claimed you as a dependent.

Rule 12.
Qualifying Child of Another Person

Rule 12 You Cannot Be a Qualifying Child of Another Person

You are a qualifying child of another person (your parent, guardian, foster parent, etc.) if:

- 1) You are that person's son, daughter, adopted child, stepchild, grandchild, or eligible foster child,
- 2) At the end of the year you were under age 19, or under age 24 and a full-time student, or any age if you were permanently and totally disabled at any time during the year, **and**
- 3) You lived with that person in the United States for more than half of the year (all year if you were an eligible foster child). For the EIC, U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period. See *Military personnel stationed outside the United States*, below, if you need more information.

If you (or your spouse if filing a joint return) are a qualifying child of another person, you cannot claim the EIC. This is true even if the person for whom you are a qualifying child does not claim the EIC or meet all of the rules to claim the EIC. Put "No" directly to the right of line 59a (Form 1040), line 37a (Form 1040A), or to the right of the word "below" on line 8b (Form 1040EZ).

Example:
Qualifying child of another person

Example. You lived with your mother all year. You are age 26 and permanently and totally disabled. Your only income was from a community center where you went twice a week to answer telephones. You earned \$1,500 for the year.

Because you meet the relationship, age, and residency tests, you are a qualifying child of your mother. She can claim the EIC if she meets all the other requirements. Because you are a qualifying child of your mother, you cannot claim the EIC. This is so even if your mother cannot or does not claim the EIC.

Rule 13.
Main Home

Rule 13 You Must Have Lived in the United States More Than Half of the Year

Your home (and your spouse's if filing a joint return) must have been in the United States for more than half the year.

If it was not, put "No" directly to the right of line 59a (Form 1040), line 37a (Form 1040A), or to the right of the word "below" on line 8b (Form 1040EZ).

Home. Your home can be any location where you regularly live within one of the 50 states or the District of Columbia.

Homeless shelter. You do not need a traditional home. If you lived in one or more homeless shelters in the United States for more than half the year, you meet this rule.

Military personnel stationed outside the United States. U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period for the EIC.

Extended active duty. Extended active duty means you are called or ordered to duty for an indefinite period or for a period of more than 90 days. Once you begin serving your extended active duty, you are still considered to have been on extended active duty even if you serve less than 90 days.

Chapter 4. Figuring and Claiming the EIC



You must meet two more rules to be eligible to claim the EIC.

You must figure two amounts to see if you meet the rules in this chapter. You also need to know these amounts to figure the amount of your EIC.

- 1) Total earned income.
- 2) Modified adjusted gross income (AGI).

You can use the worksheets on the next few pages to figure these amounts.

Rule 14. Earned Income Limits

Rule 14 Your Total Earned Income Must Be Less Than:

- \$30,580 if you have more than one qualifying child,
- \$26,928 if you have one qualifying child, or
- \$10,200 if you do not have a qualifying child.

Earned income is explained in *Rule 6* in chapter 1 and some examples are shown in *Table 3*. You figure your total earned income by adding your nontaxable earned income and your taxable earned income. You can use *Worksheet 2*.

Table 3. Examples of Taxable and Nontaxable Earned Income

Taxable Earned Income	Nontaxable Earned Income
Wages, salaries, and tips.	Salary deferrals and reductions.
Union strike benefits.	Meals and lodging provided for the convenience of your employer.
Long-term disability benefits received before minimum retirement age.	Excludable dependent care benefits.
Net earnings from self-employment.	Excludable adoption benefits.
Gross income received as a statutory employee.	Excludable educational assistance benefits.





Worksheet 2: Earned Income

Note. Do not include on this worksheet any net earnings from self-employment or any income you received as a statutory employee. Instead, enter those amounts on *EIC Worksheet B* (page 30).

Taxable Earned Income

- | | |
|---|-----------|
| 1. Enter the amount from line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ). | 1. _____ |
| 2. Enter the amount of any taxable scholarship or fellowship grant not reported on a Form W-2. | 2. _____ |
| 3. Inmates. If you received any amount for work done while an inmate in a penal institution and that amount is included in the total on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ), enter that amount. | 3.+ _____ |
| 4. Clergy. If you are a member of the clergy who files Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on line 7 (Form 1040), enter that amount. | 4.+ _____ |
| 5. Add the amounts on lines 2, 3, and 4 of this worksheet. | 5.- _____ |
| 6. Subtract line 5 of this worksheet from line 1. This is your taxable earned income. | 6.= _____ |

Nontaxable Earned Income

- | | |
|--|------------|
| 7. Enter the amount of any salary deferrals and reductions. | 7. _____ |
| 8. Clergy. Enter the amount of any housing allowance or the rental value of a parsonage if you were not required to include that amount on line 2 of Schedule SE. | 8.+ _____ |
| 9. Enter the value of any meals and lodging that were nontaxable because they were provided for the convenience of your employer. (Do not include any amount included on line 8 of this worksheet or line 2 of Schedule SE.) | 9.+ _____ |
| 10. Enter the total of any other nontaxable amounts you received for work you performed. | 10.+ _____ |
| 11. Add the amounts on lines 7, 8, 9, and 10 of this worksheet. This is your nontaxable earned income. | 11.+ _____ |

Total Earned Income

- | | |
|---|------------|
| 12. Add the amounts on lines 6 and 11 of this worksheet. This is your total earned income. (If you fill out <i>EIC Worksheet A</i> , enter this amount on line 1 of that worksheet.) | 12.= _____ |
|---|------------|

Your total earned income must be less than:

- \$30,580 if you have more than one qualifying child,
- \$26,928 if you have one qualifying child, or
- \$10,200 if you do not have a qualifying child.

If your total earned income is too great, you cannot claim the EIC. Put “No” directly to the right of line 59a (Form 1040), line 37a (Form 1040A), or to the right of the word “below” on line 8b (Form 1040EZ). You do not need to read the rest of this publication. You can go back and finish the rest of your tax return.

Rule 15.
Modified AGI Limits

Rule 15 Your Modified AGI Must Be Less Than:

- \$30,580 if you have more than one qualifying child,
- \$26,928 if you have one qualifying child, or
- \$10,200 if you do not have a qualifying child.



Modified Adjusted Gross Income (AGI)

Modified AGI for most people is the same as AGI. AGI includes items such as taxable social security benefits and unemployment benefits. AGI is the amount on line 33 (Form 1040), line 18 (Form 1040A), or line 4 (Form 1040EZ).

You must add certain amounts to your AGI if you:

- Claim a loss on Schedule C, C–EZ, D, E, or F,
- Claim a loss from the rental of personal property not used in a trade or business,
- Received any tax-exempt interest, or
- Received any pension, annuity, or individual retirement arrangement (IRA) distribution that was partly nontaxable.

Community property. If you are married, qualify to file as head of household, and live in a state that has community property laws, your adjusted gross income (AGI) for the EIC includes that portion of both your and your spouse's wages that you are required to include in gross income. This is different from the community property rules that apply under *Rule 6*.

Roth IRA conversion. If you converted your traditional IRA to a Roth IRA during 1998 and elected to spread the taxable amount over 4 years, only 25% of the taxable amount is reported each tax year. This 25% is added to your AGI on line 16b of Form 1040, or line 10b of Form 1040A. **Do not** add to your modified AGI for 1999 the remaining amounts that will be included in your income for 2000 and 2001. (However, you may have to include those amounts in your 1999 AGI if you make a withdrawal from the Roth IRA. See Publication 590, *Individual Retirement Arrangements*, for details about withdrawals.)

Form 1040EZ. If you file Form 1040EZ, your modified AGI is the amount on line 4 of that form plus the amount of any tax-exempt interest you wrote in the space to the right of the words "Form 1040EZ" on line 2.

Form 1040A. If you file Form 1040A, your AGI is the amount on line 18 of that form. To find your modified AGI, add to your AGI any amount on line 8b of Form 1040A. Also, add the nontaxable part of any pension, annuity, or individual retirement arrangement (IRA) distribution, except any amount that is nontaxable because it was a trustee-to-trustee transfer or a rollover distribution. This is any part of the distribution that you did **not** report on lines 10b or 11b of Form 1040A (except any part that was nontaxable because you rolled it over into another account within 60 days or transferred it from one trustee to another). See Publication 590 for more information about IRAs, and Publication 575, *Pension and Annuity Income*, for more information about pensions and annuities.

Form 1040. If you file Form 1040, use *Worksheet 3*, next, to figure your modified AGI.



*** Worksheet 3 instructions**

***Worksheet 3 Instructions**

To figure your modified AGI, you must add certain amounts to your AGI, including all or part of certain losses you are claiming on your return. On the worksheet, enter losses as **positive amounts** (except for lines 7, 8, and 9). For example, if your AGI (Form 1040, line 33) is \$10,000 and you have a \$1,000 capital loss from the sale of stock (Form 1040, line 13), you will enter \$10,000 on line 1 of *Worksheet 3* and \$1,000 on line 3. If you do not have to enter any other amounts, your modified AGI is \$11,000 (\$10,000 plus \$1,000).

Line 4. Nontaxable part of distribution. Enter on line 4 of *Worksheet 3* the “nontaxable part” of any pension, annuity, or individual retirement arrangement (IRA) distribution you received in 1999. This is any part of the distribution that you did **not** report on lines 15b or 16b of Form 1040. But do not include on line 4 of *Worksheet 3* any amount that was nontaxable because you rolled it over into another account within 60 days or transferred it from one trustee to another. See Publication 590 for more information about IRAs, and Publication 575 for more information about pensions and annuities.

Line 5. More than one business. If you have a business loss on line 12 of Form 1040, enter the amount of the loss on line 5 of *Worksheet 3*. Do this even if that loss amount is the result of combining gains and losses from more than one Schedule C.

Example. You have two Schedules C. One shows a \$2,000 gain. The other shows a \$10,000 loss. You enter the net loss of \$8,000 on line 12 of Form 1040. When figuring your modified AGI for EIC, enter \$8,000 on line 5 of *Worksheet 3*.

Example of a loss on Worksheet 3 (lines 5–12)

Other gains and losses	
5. Enter the amount of any loss claimed on Form 1040, line 12. (If the amount on Form 1040, line 12, is a gain, enter zero.)*	5. <u>8,000</u>
6. Enter the amount of any loss claimed on Form 1040, line 18. (If the amount on Form 1040, line 18, is a gain, enter zero.)*	6. _____
7. Enter the amount of any rental real estate income (or loss) included on Schedule E, line 26.*	7. _____
8. Enter the amount from Schedule E, line 31.*	8. _____
9. Enter the amount from Schedule E, line 39.*	9. _____
10. Combine the amounts on lines 7, 8, and 9. If the result is a loss, enter it here. If the result is a gain, enter zero.*	10. _____
11. Add the amounts on lines 5, 6, and 10 of this worksheet. Enter the result.	11. <u>8,000</u>
12. Multiply the amount on line 11 of this worksheet by 75% (0.75). Enter the result.	12.+ <u>6,000</u>

Lines 7, 8, and 9. These lines are an exception to the rule that all amounts entered on the worksheet must be entered as positive amounts. On these lines, enter any loss by enclosing it in parentheses.

Line 10. Combine the amounts on lines 7, 8, and 9 to arrive at the amount on line 10. For example, if you enter \$2,000 on line 7, \$1,000 on line 8, and a loss of (\$3,500) on line 9, enter \$500 (\$2,000 + \$1,000 - \$3,500) on line 10. But if the result of combining lines 7, 8, and 9 is a gain, enter zero. For example, if you enter \$2,000 on line 7, \$1,000 on line 8, and a loss of (\$2,500) on line 9, enter zero on line 10.





Worksheet 3: Modified AGI If You Are Filing Form 1040

**Amounts from Form 1040**

- | | |
|---|-----------|
| 1. Enter the amount from Form 1040, line 33. | 1. _____ |
| 2. Enter any amount from Form 1040, line 8b. | 2.+ _____ |
| 3. Enter the amount of any loss* claimed on Form 1040, line 13. (If the amount on Form 1040, line 13, is a gain, enter zero.) | 3.+ _____ |
| 4. Enter the nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution, except any amount that is nontaxable because it was a trustee-to-trustee transfer or a rollover distribution.* | 4.+ _____ |

Other gains and losses

- | | |
|---|------------|
| 5. Enter the amount of any loss claimed on Form 1040, line 12. (If the amount on Form 1040, line 12, is a gain, enter zero.)* | 5. _____ |
| 6. Enter the amount of any loss claimed on Form 1040, line 18. (If the amount on Form 1040, line 18, is a gain, enter zero.)* | 6. _____ |
| 7. Enter the amount of any rental real estate income (or loss) included on Schedule E, line 26.* | 7. _____ |
| 8. Enter the amount from Schedule E, line 31.* | 8. _____ |
| 9. Enter the amount from Schedule E, line 39.* | 9. _____ |
| 10. Combine the amounts on lines 7, 8, and 9. If the result is a loss, enter it here. If the result is a gain, enter zero.* | 10. _____ |
| 11. Add the amounts on lines 5, 6, and 10 of this worksheet. Enter the result. | 11. _____ |
| 12. Multiply the amount on line 11 of this worksheet by 75% (0.75). Enter the result. | 12.+ _____ |
| 13. Enter the amount of any loss claimed on Schedule E, line 36.* | 13.+ _____ |
| 14. Enter any income from the rental of personal property shown on Form 1040, line 21. | 14. _____ |
| 15. Enter any royalty income from Schedule E, line 4. | 15.+ _____ |
| 16. Add the amounts on lines 14 and 15 of this worksheet. | 16. _____ |
| 17. Enter the amount of any expenses from the rental of personal property deducted on Form 1040, line 32. | 17. _____ |
| 18. Enter the amount of any expenses from Schedule E, line 21, related to royalty income. | 18.+ _____ |
| 19. Add the amounts on lines 17 and 18 of this worksheet. | 19. _____ |
| 20. Subtract the amount on line 19 of this worksheet from the amount on line 16. If the result is a loss, enter it here. If the result is a gain, enter zero. | 20.+ _____ |
| 21. Add the amounts on lines 1, 2, 3, 4, 12, 13, and 20 of this worksheet. Enter the total. This is your Modified AGI. | 21.= _____ |

*See Worksheet 3 instructions on the previous page.

Your modified AGI must be less than:

- \$30,580 if you have more than one qualifying child,
- \$26,928 if you have one qualifying child, or
- \$10,200 if you do not have a qualifying child.

If your modified AGI is too great, you cannot claim the EIC. You do not need to read the rest of this publication. You can go back and finish the rest of your tax return.



Tip:
If you want the IRS to figure your income tax, see Publication 967, The IRS Will Figure Your Tax.

IRS Will Figure the EIC for You

The IRS will figure your EIC for you if you follow the instructions in *Figure 3* below. If you have a qualifying child, complete and attach Schedule EIC. If you want to figure the credit yourself, use *EIC Worksheet A* or *B*.

Figure 3. Earned Income Credit On Your Tax Return

Payments, credits, and tax	Advance earned income credit	3
	Earned income credit	1
	Nontaxable earned income amount <input style="width: 50px;" type="text"/> and type <input style="width: 50px;" type="text"/>	2
	Add lines your total payments	4
Refund		4

- 1** Print "EIC" directly to the right of the EIC line on your tax return. (This is line 59a (Form 1040), line 37a (Form 1040A), and the space to the right of the word "below" on line 8b (Form 1040EZ).) Then, if you have any of the situations listed later under *Special instructions for clergy, household employees, and prison inmates*, follow those instructions.
- 2** If you have any earned income that is not taxed, you should have entered that amount on *Worksheet 2* on page 22. Enter the amount and type of that income on the correct line for your tax return. (This is line 59b (Form 1040), line 37b (Form 1040A), and line 8b (Form 1040EZ).)
- 3** Complete all other parts of your return that apply to you (including line 54 (Form 1040) or line 33 (Form 1040A) to report advance payments of the EIC).
- 4** Do not fill in lines that relate to your total payments, overpayment, refund, or amount you owe (lines 64, 65, and 68 (Form 1040), lines 39, 40, and 43 (Form 1040A), or lines 9, 11, and 12 (Form 1040EZ)).



Please do not ask the IRS to figure your EIC unless you are eligible for it. To be eligible, you must meet the rules in this chapter as well as the rules in chapter 1 and either chapter 2 or chapter 3, whichever applies to you.



You cannot report advance payments of EIC on Form 1040EZ. If you received advance payments of EIC during 1999, you must file Form 1040 or Form 1040A.

Note. If you do not have a qualifying child, **STOP** here and complete your Form 1040, Form 1040A, or Form 1040EZ and mail it to the IRS. If you do have a qualifying child, see *Schedule EIC*, later.



Special instructions for clergy, household employees, and prison inmates. Use the following special instructions if one of the following situations applies to you.

Minister or member of a religious order. If you are filing Schedule SE and line 2 of that schedule includes an amount that is also included on line 7 (Form 1040), print “Clergy” directly to the right of line 59a (Form 1040). Also show the amount included on both lines (for example, “Clergy \$800”). If you received a housing allowance or were provided housing and you were required to include the allowance or the rental value of the parsonage on Schedule SE, line 2, do not include it as nontaxable earned income on line 59b (Form 1040).

Household employee. If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1999, print “HSH” and the amount paid that was not reported on Form W-2 in the space on the dotted line next to line 7 (Form 1040), in the space to the left of line 7 (Form 1040A), or in the space to the right of the words “W-2 form(s)” on line 1 (Form 1040EZ). Also, be sure to include that amount in the total for line 7 of either Form 1040 or Form 1040A, or line 1 of Form 1040EZ.

Inmates. If you were an inmate in a penal institution and the total on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ) includes an amount paid to you for work you performed while an inmate, print “PRI” and the amount paid on the dotted line next to line 7 (Form 1040), in the space to the left of line 7 (Form 1040A), or in the space to the right of the words “W-2 form(s)” on line 1 (Form 1040EZ).

How To Figure the EIC Yourself

You may be able to use an EIC worksheet in your tax package instead of *EIC Worksheet A* or *B* at the end of this chapter. If you are filing Form 1040EZ, you can use the worksheet in your tax package. If you are filing Form 1040A, you can use the worksheet in your tax package if you answered “No” to the first two questions in *Step 3* of the instructions for lines 37a and b. If you are filing Form 1040, you can use a worksheet in your tax package if you answered “No” to the first five questions in *Step 3* of the instructions for lines 59a and 59b.

Tip:
Keep your tax return handy while you complete EIC Worksheet A or B.

How To Use EIC Worksheets A and B

Use *EIC Worksheet A* (page 29) or *EIC Worksheet B* (page 30) to figure the amount of your EIC. This section explains how to use these worksheets and how to report the EIC on your return.

EIC Worksheet A. Use *EIC Worksheet A* if you are not self-employed or a statutory employee filing Schedule C or C-EZ. You will need the amounts you figured in the worksheets earlier in this chapter to complete *EIC Worksheet A*.

EIC Worksheet B. Use *EIC Worksheet B* if you are self-employed or a statutory employee filing Schedule C or C-EZ. You will need the amounts you figured in the worksheets earlier in this chapter to complete *EIC Worksheet B*. If any of the following situations apply to you, read the paragraph and then complete *EIC Worksheet B*.

Net earnings from self-employment. If your net earnings from self-employment are \$400 or more, be sure to correctly fill out Schedule SE (Form 1040) and pay the proper amount of self-employment tax. If you do not, you may not get all the EIC you are entitled to.

When to use the optional methods of figuring net earnings. Using the optional methods on Schedule SE to figure your net earnings from self-employment may qualify you for the EIC or give you a larger credit. If your net earnings (without using the optional



methods) are less than \$1,600, see Publication 533, *Self-Employment Tax*, and the instructions for Schedule SE, for details about the optional methods.

When both spouses have self-employment income. You must complete both Parts 1 and 2 of *EIC Worksheet B* if all of the following conditions apply to you.

- 1) You are married filing a joint return.
- 2) Both you and your spouse have income from self-employment.
- 3) You or your spouse files a Schedule SE and the other spouse does not file Schedule SE.

Statutory employees. Statutory employees report wages and expenses on Schedule C or C–EZ. They do not file Schedule SE. If you are a statutory employee, enter amounts from Schedule C or C–EZ in Part 3 when you complete *EIC Worksheet B*.

Special Instructions for Clergy, Household Employees, and Prison Inmates

Use the following special instructions if one of the following situations applies to you.

Minister or member of a religious order. If you are filing Schedule SE and line 2 of that schedule includes an amount that is also included on line 7 (Form 1040), print “Clergy” directly to the right of line 59a (Form 1040). Also show the amount included on both lines (for example, “Clergy \$800”). If you received a housing allowance or were provided housing and you were required to include the allowance or the rental value of the parsonage on Schedule SE, line 2, do not include it as nontaxable earned income on line 59b (Form 1040).

Household employee. If you were a household employee who did not receive a Form W–2 because your employer paid you less than \$1,100 in 1999, print “HSH” and the amount paid that was not reported on Form W–2 in the space on the dotted line next to line 7 (Form 1040), in the space to the left of line 7 (Form 1040A), or in the space to the right of the words “W–2 form(s)” on line 1 (Form 1040EZ). Also, be sure to include that amount in the total for line 7 of either Form 1040 or Form 1040A, or line 1 of Form 1040EZ.

Inmates. If you were an inmate in a penal institution and the total on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ) includes an amount paid to you for work you performed while an inmate, print “PRI” and the amount paid on the dotted line next to line 7 (Form 1040), in the space to the left of line 7 (Form 1040A), or in the space to the right of the words “W–2 form(s)” on line 1 (Form 1040EZ).

Schedule EIC

You must complete and attach Schedule EIC to your tax return if you have a qualifying child and are claiming the EIC. Schedule EIC provides IRS with information about your qualifying children, including their names, ages, SSNs, relationship to you, and the amount of time they lived with you during the year. An example of a filled-in Schedule EIC is shown on page 40.



If you are required to complete and attach Schedule EIC but do not, it will take longer to process your return and issue your refund.



EIC Worksheet **A**—Earned Income Credit (EIC)

Keep for Your Records

Part 1

All Filers Using Worksheet A

Do not use this worksheet if you are self-employed or you are filing Schedule C or C-EZ as a statutory employee. Instead, use EIC Worksheet B.

1. Enter your total earned income from Worksheet 2. 1

2. Look up the amount on line 1 above in the EIC Table in the Appendix to find the credit. Enter the credit here. 2

If line 2 is zero,  You cannot take the credit.
Put "No" on Form 1040, line 59a; Form 1040A, line 37a; or Form 1040EZ, line 8a.

3. Enter your modified adjusted gross income. (If you filled out Worksheet 3 on page 25, this is the amount on line 21 of that worksheet.) 3

4. Are the amounts on lines 1 and 3 the same?
- Yes.** Skip line 5; enter the amount from line 2 on line 6.
- No.** Go to line 5.

Part 2

Filers Who Answered "No" On Line 4

5. Is the amount on line 3 less than:

- \$5,700 if you do not have a qualifying child, OR
- \$12,500 if you have one or more qualifying children?

Yes. Leave line 5 blank; enter the amount from line 2 on line 6.

No. Look up the amount on line 3 in the EIC Table in the Appendix to find the credit. Enter the credit here. 5

Look at the amounts on lines 2 and 5. Then, enter the **SMALLER** amount on line 6.

Part 3

Your Earned Income Credit

6. This is the amount from Part 1 or Part 2 above. 6

7. Enter the amount of alternative minimum tax from Form 1040, line 51, or included in the total on Form 1040A, line 34, if any. 7

8. Subtract line 7 from line 6. **This is your earned income credit.** 8

Reminder—

- ✓ Be sure you entered the amount and the type of any nontaxable earned income (Worksheet 2, line 11) on Form 1040, line 59b; Form 1040A, line 37b; or Form 1040EZ, line 8b.
- ✓ If you have a qualifying child, complete and attach Schedule EIC.



Enter this amount on line 59a (Form 1040); line 37a (Form 1040A); or line 8a (Form 1040EZ)



If your 1997 or 1998 EIC was reduced or disallowed, see chapter 5 to find out if you must file Form 8862 to take the credit for 1999.



EIC Worksheet **B**—Earned Income Credit (EIC)

Keep for Your Records

Use this worksheet if you are self-employed or you are filing Schedule C or C-EZ as a statutory employee.

TIP:
You can tear this worksheet from the booklet before you begin 

- ✓ Complete the parts below (Parts 1–3) that apply to you. Then, go to Part 4.
- ✓ If you are married filing a joint return, include your spouse’s amounts, if any, with yours to figure the amounts to enter in Parts 1 through 3.

Part 1 Self-Employed Filing Schedule SE	1a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.	1a	
	b. Enter the amount from Schedule SE, Section B, line 4b, if any.	+ 1b	
	c. Add lines 1a and 1b.	= 1c	
	d. Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.	– 1d	
	e. Subtract line 1d from 1c.	= 1e	

Part 2 Self-Employed NOT Filing Schedule SE For example, your net earnings from self-employment were less than \$400.	2. Do not include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.	
	a. Enter any net farm profit (or loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), line 15a.	2a
	b. Enter any net profit (or loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9.	2b
c. Combine lines 2a and 2b.	= 2c	

Part 3 Statutory Employees Filing Schedule C or C-EZ	3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.	3
---	---	---

Part 4 All Self-Employed and Statutory Employees If line 4d includes income on which you should have paid self-employment tax but did not, the IRS may reduce your credit by the amount of self-employment tax not paid.	4a. Combine lines 1e, 2c, and 3.	4a	
	b. Enter your nontaxable earned income from Worksheet 2, line 11.	+ 4b	
	c. Enter your taxable earned income from Worksheet 2, line 6.	+ 4c	
	d. Combine lines 4a, 4b, and 4c. This is your total earned income.	= 4d	
	5. If you have: <ul style="list-style-type: none"> ● 2 or more qualifying children, is line 4d less than \$30,580? ● 1 qualifying child, is line 4d less than \$26,928? ● No qualifying children, is line 4d less than \$10,200? <input type="checkbox"/> Yes. If you want the IRS to figure your credit, see page 26. If you want to figure the credit yourself, enter the amount from line 4d on line 6 (page 31).		
<input type="checkbox"/> No.  You cannot take the credit. Put “No” on Form 1040, line 59a; Form 1040A, line 37a; or Form 1040EZ, line 8a.			

EIC Worksheet **B**—Continued

Keep for Your Records

Part 5

All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4d, of this worksheet.

6	
---	--

7. Look up the amount on line 6 above in the EIC Table in the Appendix to find the credit. Enter the credit here.

7	
---	--

If line 7 is zero,  You cannot take the credit.
Put "No" on Form 1040, line 59a; Form 1040A, line 37a; or Form 1040EZ, line 8a.

8. Enter your modified adjusted gross income. (If you filled out Worksheet 3 on page 25, this is the amount on line 21 of that worksheet.)

8	
---	--

9. Are the amounts on lines 8 and 6 the same?
 Yes. *Skip line 10; enter the amount from line 7 on line 11.*
 No. *Go to line 10.*

10. Is the amount on line 8 less than:
• \$5,700 if you do not have a qualifying child, OR
• \$12,500 if you have one or more qualifying children?
 Yes. *Leave line 10 blank; enter the amount from line 7 on line 11.*

No. Look up the amount on line 8 in the EIC Table in the Appendix to find the credit. Enter the credit here.

10	
----	--

Look at the amounts on lines 10 and 7. Then, enter the SMALLER amount on line 11.

Part 6

Your Earned Income Credit

11. This is the amount from Part 5 above.

11	
----	--

12. Enter the amount of alternative minimum tax from Form 1040, line 51, or included in the total on Form 1040A, line 34, if any.

12	
----	--

13. Subtract line 12 from line 11. **This is your earned income credit.**

13	
----	--

Reminder—

- ✓ Be sure you entered the amount and the type of any nontaxable earned income (Worksheet 2, line 11) on Form 1040, line 59b; Form 1040A, line 37b; or Form 1040EZ, line 8b.
- ✓ If you have a qualifying child, complete and attach Schedule EIC.

Enter this amount on line 59a (Form 1040); line 37a (Form 1040A); or line 8a (Form 1040EZ)



If your 1997 or 1998 EIC was reduced or disallowed, see chapter 5 to find out if you must file Form 8862 to take the credit for 1999.



Chapter 5. Disallowance of the EIC



If your earned income credit (EIC) for 1997 or 1998 was denied (disallowed) or reduced by the IRS, you may need to complete an additional form to claim the credit for 1999.

This chapter is for people whose earned income credit (EIC) for 1997 or 1998 was denied or reduced by the IRS. If this applies to you and you want to claim the credit for 1999, you may need to complete and attach Form 8862, *Information To Claim Earned Income Credit After Disallowance*, to your 1999 return. This chapter explains when you need to attach Form 8862.

This chapter also explains the rules for certain people who cannot claim the EIC for a period of years because their EIC was denied or reduced for 1997 or 1998.

Form 8862

If your EIC for 1997 or 1998 was denied or reduced for any reason other than a mathematical or clerical error, you must attach a completed Form 8862 to your next tax return if you wish to claim the EIC. The date on which your EIC was denied and the date on which you file your 1999 return affect whether you need to attach Form 8862 to your 1999 return or to a later return. The following examples demonstrate whether Form 8862 is required for 1999 or 2000.

Example:
Form 8862 required for
1999

Example 1. You claimed the EIC on your 1998 tax return, which you filed in March 1999. The IRS questioned the EIC, you were unable to support your claim, and, in September 1999, you received a statutory notice of deficiency telling you that an adjustment would be assessed unless you filed a petition in the Tax Court within 90 days. You did not act on this notice within 90 days. Therefore, your EIC was denied in December 1999. If you wish to claim the EIC on your 1999 return, you must complete and attach Form 8862 to your return.

Example:
Form 8862 required for
2000

Example 2. The facts are the same as in *Example 1*, except that you received the statutory notice of deficiency in February 2000. Because the 90-day period referred to in the statutory notice is not over when you are ready to file your return for 1999, you should not attach Form 8862 to your 1999 return. However, if you wish to claim the EIC for the year 2000, you must complete and attach Form 8862 to your return for that year.

Exception for mathematical or clerical errors. If your EIC for 1997 or 1998 was denied or reduced as a result of a mathematical or clerical error, do not attach Form 8862 to your next tax return. For example, if your arithmetic is incorrect, the IRS can correct it and adjust your return. If you do not provide a correct social security number and claim the EIC, the IRS can deny the EIC and adjust your return. These kinds of errors are called mathematical or clerical errors.

Omission of Form 8862. If you are required to attach Form 8862 to your 1999 tax return, and you claim the EIC without attaching a completed Form 8862, your claim will be automatically denied. This is considered a mathematical or clerical error. You will not be permitted to claim the EIC without a completed Form 8862.

Are You Prohibited From Claiming the EIC for a Period of Years?

If your EIC for 1997 or 1998 was denied and it was determined that your error was due to reckless or intentional disregard of the EIC rules, then you cannot claim the EIC for the next 2 years. If your error was due to fraud, then you cannot claim the EIC for the next 10 years. The date on which your EIC was denied and the date on which you file your 1999 return affect the years for which you are prohibited from claiming the EIC. The following examples demonstrate which years you are prohibited from claiming the EIC.

Examples:

Cannot claim EIC for 2 years

Example 3. You claimed the EIC on your 1998 tax return, which you filed in March 1999. In October 1999, the IRS denied your claim and determined that your error was due to reckless or intentional disregard of the EIC rules. You cannot claim the EIC for tax year 1999 or 2000. If you wish to claim the EIC on your return for 2001, you must complete and attach Form 8862 to your return for 2001.

Example 4. The facts are the same as in *Example 3*, except that the IRS did not disallow your 1998 EIC until after you filed your 1999 return. You cannot claim the EIC for tax year 2000 or 2001. If you wish to claim the EIC on your return for 2002, you must complete and attach Form 8862 to your return for 2002.

Example:

Cannot claim EIC for 10 years

Example 5. You claimed the EIC on your 1998 tax return, which you filed in February 1999. In December 1999, the IRS denied your claim and determined that your error was due to fraud. You cannot claim the EIC for tax years 1999 through 2008. If you wish to claim the EIC on your return for 2009, you must complete and attach Form 8862 to your return for 2009.

Chapter 6. Advance Payment of EIC in 2000



You can receive part of your year 2000 EIC in your paycheck by completing a form and giving it to your employer.

Do you expect to be eligible for the EIC this year (2000) and to have a qualifying child? If so, you can choose to get payments of the EIC in your paycheck now instead of waiting to get your EIC all at once in 2001 when you file your tax return for the year 2000. These payments are called advance EIC payments. This chapter explains how you may be able to get them this year and how to report them on your tax return.

Example:
How advance payment of EIC works

Example. In March of 2000, John and Tom worked together. Tom told John that he gets \$40 added to his paycheck each month because of the earned income credit. John would like to get an extra amount every month too. John needs to find out if he can claim the EIC in 2000. He should answer the questions in *Step 1* below and then, if he is eligible for advance EIC payments, go to *Step 2*.

Note. In chapters 1 through 5 of this publication, the rules for claiming the EIC apply to the EIC you claim on your 1999 tax return. In this chapter, the rules apply to EIC you **expect** to claim on your 2000 tax return. If you received advance payments of the EIC in 1999, see *Important Reminders* on page 3 for information on reporting these payments.

Step 1 Find Out If You Are Eligible for Advance Payments of the EIC

Answer the following four questions to see if you are eligible for advance payments of EIC.

Note. When the question says “expect,” you do not have to know that you will be able to answer “Yes” when you file your tax return. You can only make a best guess that you will be able to answer “Yes.”

Question 1. _____

Do you expect to have a qualifying child? (See the definition of qualifying child beginning on page 11.)

- | | |
|---|--|
| <input type="checkbox"/> Yes.
Go to <i>Question 2</i> . | <input type="checkbox"/> No.
You cannot get advance payments of EIC. |
|---|--|

Question 2. _____

Do you expect that your earned income and modified adjusted gross income will each be less than approximately \$27,000?

- | | |
|---|--|
| <input type="checkbox"/> Yes.
Go to <i>Question 3</i> . | <input type="checkbox"/> No.
You cannot get advance payments of EIC. |
|---|--|

Tip:
See the 2000 Form W-5 for the exact amount. Earned income and modified AGI are explained on pages 7 and 22.

Question 3.

Do you expect to be eligible for EIC in 2000 as explained in chapters 1, 2, 3, and 4?

- Yes.**
Go to Question 4.
- No.** 
You cannot get advance payments of EIC.
- Not Sure.**
Read the rules in chapters 1, 2, 3, and 4 and/or the instructions for Form W-5. Then answer "Yes" or "No."

Note. The rules in chapters 1, 2, 3, and 4 are expected to be the same for the year 2000, except that you will be allowed to have more earned income, a higher modified AGI, and possibly more investment income. The correct amounts for the year 2000 are in the instructions for the 2000 Form W-5.

Question 4.

Are your wages subject to withholding of federal income tax, social security tax, or Medicare tax?

- Yes.**
Go to Step 2.
- No.** 
You cannot get advance payments of EIC.

Tip:
If you are a farm worker and are paid on a daily basis, your employer is not required to pay you the advance amount of EIC.

Step 2 Complete Form W-5 and Give It to Your Employer

If you answered "Yes" to all the questions in Step 1, and you wish to get part of your EIC now, you must give your employer a Form W-5 for the year 2000.

After you have read the instructions and completed Form W-5, give the lower part of the form to your employer. Keep the top part for your records. A part of a blank Form W-5 is shown here.

2000 Form W-5 Department of the Treasury Internal Revenue Service

Instructions
income does not include amounts inmates in penal institutions are paid for their work or workfare payments (defined below). For most people, **modified**

Purpose
Give the lower part to your employer; keep the top part for your records.
Detach here

Form **W-5** **Earned Income Credit Advance Payment Certificate** OMB No. 1545-1342
2000

Department of the Treasury Internal Revenue Service
Type or print your full name

Your social security number

Note: If you get advance payments of the earned income credit for 2000, you **must** file a 2000 Federal income tax return. To get advance payments, you **must** have a qualifying child and your filing status must be any status **except** married filing a separate return.

	Yes	No
1 I expect to be able to claim the earned income credit for 2000, I do not have another Form W-5 in effect with any other current employer, and I choose to get advance EIC payments		
2 Do you have a qualifying child?		
3 Are you married?		
4 If you are married, does your spouse have a Form W-5 in effect for 2000 with any employer?		

Under penalties of perjury, I declare that the information I have furnished above is, to the best of my knowledge, true, correct, and complete.

Signature Date

Cat. No. 10227P

The law permits your employer to pay you only part of your EIC during the year in advance payments. You will get the rest of the EIC you are entitled to when you file your tax return in 2001 and claim the EIC.

If you get advance payments of EIC in the year 2000, you must file Form 1040 or Form 1040A for that year (even if you would otherwise not be required to file a tax return). You cannot file Form 1040EZ. You must file a return to report the payments you got in your paycheck throughout the year and to take advantage of any additional EIC.

Frequently Asked Questions About Form W-5

1. How do I get Form W-5? Ask your employer for the form. Or, see *How To Get More Information* on page 50.

2. What should I do if I have more than one employer? Give a Form W-5 to only one employer.

3. Can I give my employer a Form W-5 if my spouse has given her employer a Form W-5? Yes.

4. How often do I have to file Form W-5? The year 2000 Form W-5 you give to your employer is valid until December 31, 2000. If you expect to be eligible for EIC in 2001 and you want to receive advance payments, you must give your employer a new Form W-5 in 2001. Do this each year you expect to be eligible for the EIC.

5. What should I do if my situation changes after I give Form W-5 to my employer? Give your employer a new Form W-5 if any situation shown in the following table applies to you for 2000.

Table 4. **Changes to Advance EIC Status**

IF...	THEN you must give your employer a new Form W-5. To indicate your change, check...
You no longer have a qualifying child	“No” on line 2.
You are no longer eligible for the EIC	“No” on line 1.
You no longer want advance payments	“No” on line 1.
Your spouse files Form W-5 with his or her employer	“Yes” on line 4.

Step 3 How To Report Advance Payments of EIC

If you receive advance payments of EIC in the year 2000, and you later find out that you are not eligible for some or all of them, you still must report them on your tax return. If you receive advance payments of EIC in the year 2000, you must file a year 2000 tax return to report the payments. Box 9 of your Form W-2 will show the amount you received. See the instructions for Form 1040 or Form 1040A for the line number on which you report advance payments of EIC.



You cannot use Form 1040EZ to report your advance payments. You must file Form 1040 or Form 1040A.



a Control number		OMB No. 1545-0008		9 Advance EIC payment		Federal income tax withheld					
b Employer identification number				5		6 Medicare tax withheld					
c Employer's name, address, and ZIP code				7 Social security tax withheld		8 Allocated tips					
				d Employee's social security number		9 Advance EIC payment		10 Dependent care benefits			
e Employer's name, address, and ZIP code				11 Nonqualified plans		12 Benefits included in box 1					
				13 See instrs. for box 13		14 Other					
				15 Statutory employee <input type="checkbox"/>		Deceased <input type="checkbox"/>		Pension plan <input type="checkbox"/>		Legal rep. <input type="checkbox"/>	
16 State Employer's state I.D. no.		17 State wages, tips, etc.		18 State income tax		19 Locality name		20 Local wages, tips, etc.		21 Local income tax	

Form **W-2** Wage and Tax Statement **2000**

Department of the Treasury—Internal Revenue Service

Copy B To Be Filed With Employee's FEDERAL Tax Return

This information is being furnished to the Internal Revenue Service.

Chapter 7. Detailed Examples



The next few pages contain four detailed examples (with a filled-in Schedule EIC and EIC Worksheets) that may be helpful if you have questions about claiming the EIC.

Example:

Cynthia and Jerry Grey have two children, are both employed, and will file Form 1040A.

Example 1. Cynthia and Jerry Grey

Cynthia and Jerry Grey have two children, Kirk, age 8, and Susanne, age 6. The children lived with Cynthia and Jerry for all of 1999. Cynthia earned wages of \$15,000 and Jerry had wages of \$10,000. The Greys received \$50 in interest on their savings account. They had no other income in 1999.

Cynthia and Jerry have the 1999 Form 1040A tax package and instructions. They want to see if they qualify for the EIC, so they follow the steps for lines 37a and 37b in the instructions.

Step 1. In Step 1 of those instructions Cynthia and Jerry determine several things.

- 1) They each have valid social security numbers (SSNs) that allow them to work. (The children also have SSNs that will allow them to work.)
- 2) They will file a joint return.
- 3) Neither Cynthia nor Jerry is a nonresident alien.

Step 2. The only investment income the Greys have is their \$50 interest income. That amount is not more than \$2,350, so they go to Step 3.

Step 3. In *Step 3* of the instructions for lines 37a and 37b, the Greys find out that they do not have to use Publication 596. However, they decide to get and use the publication because they want to know more about advance EIC. When they read Publication 596, they find that they have already met *Rules 1 - 5* and can start with *Rule 6* on page 7.

Rule 6. The Greys meet this rule because they have earned income (Cynthia's and Jerry's wages). They go to *Rule 7* in chapter 2 because they believe they have qualifying children.

Rule 7. Cynthia and Jerry meet this rule because both Kirk and Susanne meet the relationship, residency, and age tests.

Rule 8. The Greys meet this rule because they determine that Kirk and Susanne are not qualifying children of anyone else.

Rule 9. Cynthia and Jerry meet this rule because they themselves are not qualifying children of anyone else. They meet all the rules so far so they go to chapter 4.

Rule 14. Cynthia and Jerry complete *Worksheet 2* (not shown here) and figure their total earned income to be \$25,000, the amount of their combined wages. They meet this rule.

Rule 15. Cynthia and Jerry's AGI is \$25,050 (\$25,000 + \$50), the amount on line 18a of their Form 1040A. They have no tax-exempt income or partly nontaxable pensions or annuities, so their modified AGI is also \$25,050. They meet *Rule 15*.



Completing EIC Worksheet A. Cynthia and Jerry want to figure their EIC themselves, so they complete *EIC Worksheet A* (shown here). They complete *EIC Worksheet A*, rather than *EIC Worksheet B*, because they are **not** self-employed or filing Schedule C or C–EZ as statutory employees.

EIC Worksheet A —Earned Income Credit (EIC)		Keep for Your Records
Do not use this worksheet if you are self-employed or you are filing Schedule C or C-EZ as a statutory employee. Instead, use EIC Worksheet B.		
Part 1 All Filers Using Worksheet A	1. Enter your total earned income from Worksheet 2.	1 25,000
	2. Look up the amount on line 1 above in the EIC Table in the Appendix to find the credit. Enter the credit here.	2 1,170
	If line 2 is zero, STOP You cannot take the credit. Put "No" on Form 1040, line 59a; Form 1040A, line 37a; or Form 1040EZ, line 8a.	
	3. Enter your modified adjusted gross income. (If you filled out Worksheet 3 on page 25, this is the amount on line 21 of that worksheet.)	3 25,050
4. Are the amounts on lines 1 and 3 the same?	<input type="checkbox"/> Yes. Skip line 5; enter the amount from line 2 on line 6.	
	<input checked="" type="checkbox"/> No. Go to line 5.	
Part 2 Filers Who Answered "No" On Line 4	5. Is the amount on line 3 less than:	
	<ul style="list-style-type: none"> • \$5,700 if you do not have a qualifying child, OR • \$12,500 if you have one or more qualifying children? <input type="checkbox"/> Yes. Leave line 5 blank; enter the amount from line 2 on line 6. <input checked="" type="checkbox"/> No. Look up the amount on line 3 in the EIC Table in the Appendix to find the credit. Enter the credit here. <i>Look at the amounts on lines 2 and 5. Then, enter the SMALLER amount on line 6.</i>	5 1,159
Part 3 Your Earned Income Credit	6. This is the amount from Part 1 or Part 2 above.	6 1,159
	7. Enter the amount of alternative minimum tax from Form 1040, line 51, or included in the total on Form 1040A, line 34, if any.	7
	8. Subtract line 7 from line 6. This is your earned income credit.	8 1,159

- 1) Cynthia and Jerry enter their total earned income (\$25,000) on line 1.
- 2) They look up \$25,000 in the EIC Table on pages 47-49 for *Two children*. They enter the amount of \$1,170 on line 2.
- 3) They enter on line 3 their modified AGI (\$25,050) and see that it is different from the amount on line 1.
- 4) They look up \$25,050 in the EIC Table and enter the amount of \$1,159 on line 5.
- 5) They enter \$1,159 on line 6. This is the smaller of the line 2 amount (\$1,170) and the line 5 amount (\$1,159).
- 6) The Greys do not owe alternative minimum tax (line 7) so they enter their EIC of \$1,159 on line 8. They also enter that amount on line 37a of their Form 1040A. They will now complete Schedule EIC (shown here) and attach it to their return. They will keep *EIC Worksheet A* for their records.



<p>SCHEDULE EIC (Form 1040A or 1040)</p> <p>Department of the Treasury Internal Revenue Service</p> <p>Name(s) shown on return</p>	<p>Earned Income Credit Qualifying Child Information</p> <p>Complete and attach to Form 1040A or 1040 only if you have a qualifying child.</p> <div style="text-align: right;"> </div>	<p>OMB No. 1545-0074</p> <p style="font-size: 24pt; font-weight: bold;">1999</p> <p>Attachment Sequence No. 43</p> <p>Your social security number 333 ; 00 ; 5555</p>								
<p>Cynthia and Jerry Grey</p>										
<p>Before you begin: See the instructions for Form 1040A, lines 37a and 37b, or Form 1040, lines 59a and 59b, to make sure that (1) you can take the EIC and (2) you have a qualifying child.</p>										
<div style="display: flex; align-items: flex-start;"> <div style="width: 30px; text-align: center; margin-right: 10px;"> <p style="font-size: 8pt; font-weight: bold;">CAUTION</p> </div> <div> <ul style="list-style-type: none"> If you take the EIC even though you are not eligible, you may not be allowed to take the credit for up to 10 years. See page 2 for details. It will take us longer to process your return and issue your refund if you do not fill in all lines that apply for each child. If you do not enter the child's correct social security number on line 4, at the time we process your return, we may reduce or disallow your EIC. </div> </div>										
<p>Qualifying Child Information</p>										
	Child 1	Child 2								
<p>1 Child's name If you have more than two qualifying children, you only have to list two to get the maximum credit.</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-bottom: 1px solid black;">First name</td> <td style="width: 50%; border-bottom: 1px solid black;">Last name</td> </tr> <tr> <td style="text-align: center;">Kirk Grey</td> <td style="text-align: center;">Susanne Grey</td> </tr> </table>	First name	Last name	Kirk Grey	Susanne Grey	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-bottom: 1px solid black;">First name</td> <td style="width: 50%; border-bottom: 1px solid black;">Last name</td> </tr> <tr> <td style="text-align: center;">Susanne Grey</td> <td style="text-align: center;">Kirk Grey</td> </tr> </table>	First name	Last name	Susanne Grey	Kirk Grey
First name	Last name									
Kirk Grey	Susanne Grey									
First name	Last name									
Susanne Grey	Kirk Grey									
<p>2 Child's year of birth</p>	<p>Year <u>1 9 9 2</u></p> <p><i>If born after 1980, skip lines 3a and 3b; go to line 4.</i></p>	<p>Year <u>1 9 9 4</u></p> <p><i>If born after 1980, skip lines 3a and 3b; go to line 4.</i></p>								
<p>3 If the child was born before 1981—</p> <p>a Was the child under age 24 at the end of 1999 and a student?</p>	<p><input type="checkbox"/> Yes. <input type="checkbox"/> No.</p> <p><i>Go to line 4. Continue</i></p>	<p><input type="checkbox"/> Yes. <input type="checkbox"/> No.</p> <p><i>Go to line 4. Continue</i></p>								
<p>b Was the child permanently and totally disabled during any part of 1999?</p>	<p><input type="checkbox"/> Yes. <input type="checkbox"/> No.</p> <p><i>Continue</i> The child is not a qualifying child.</p>	<p><input type="checkbox"/> Yes. <input type="checkbox"/> No.</p> <p><i>Continue</i> The child is not a qualifying child.</p>								
<p>4 Child's social security number (SSN) The child must have an SSN as defined on page 40 of the Form 1040A instructions or page 41 of the Form 1040 instructions unless the child was born and died in 1999. If your child was born and died in 1999 and did not have an SSN, enter "Died" on this line and attach a copy of the child's birth certificate.</p>	<p>123 : 00 : 5678</p>	<p>987 : 00 : 4321</p>								
<p>5 Child's relationship to you (for example, son, daughter, grandchild, foster child, etc.)</p>	<p>son</p>	<p>daughter</p>								
<p>6 Number of months child lived with you in the United States during 1999</p> <ul style="list-style-type: none"> If the child lived with you for more than half of 1999 but less than 7 months, enter "7". If the child was born or died in 1999 and your home was the child's home for the entire time he or she was alive during 1999, enter "12". 	<p><u>12</u> months</p> <p><i>Do not enter more than 12 months.</i></p>	<p><u>12</u> months</p> <p><i>Do not enter more than 12 months.</i></p>								

Example:

David and Judy Brown have three children, are both self-employed, and will file Form 1040.

Example 2. David and Judy Brown

David and Judy Brown have three children—Karl, age 4, and twins, Karin and Susan, age 2. David worked and earned \$17,200. He asked his employer to contribute \$1,200 of his pay to a 401(k) plan, so he will pay tax on only \$16,000 (\$17,200 – \$1,200). He received \$1,500 in unemployment compensation. David also began a consulting business. After expenses, David had a loss of \$1,000. Judy made crafts and sold them at a flea market. She had a profit of \$706. In addition, David and Judy received \$50 in interest from a savings account.

Judy completes Schedule C–EZ and reports the \$706 profit. She also completes Schedule SE and calculated self-employment tax of \$100. She puts this figure on line 50 (Form 1040) and deducts \$50, one-half of her self-employment tax, on line 27 (Form 1040).

David completes Schedule C and reports his \$1,000 loss. David and Judy combine their Schedules C and C–EZ to report a loss of \$294 (\$706 – \$1,000) on line 12 of their Form 1040. David will not complete Schedule SE because he does not have any net earnings from self-employment.

David and Judy follow the steps in their Form 1040 instructions to claim the EIC. The only investment income they have is the \$50 interest from their savings account. They find out in Step 3 of the Form 1040 instructions that, because they are claiming a loss on line 12 of Form 1040, they must use Publication 596 to determine if they are eligible to claim the EIC. When they receive Publication 596, they read Table 2, *What if I was sent here from the instructions for Form 1040 or Form 1040A?* on page 2 and find that they can start with *Rule 6* on page 7. In *Rule 7*, they determine that all three children are qualifying children. In chapter 4, the Browns figure their nontaxable earned income to be \$1,200 (David's contribution to a 401(k) plan) and their taxable earned income to be \$16,000. They complete *Worksheet 3* (shown here) and figure their modified AGI to be \$17,427.



**Form
1040**

Worksheet 3. Modified AGI If You Are Filing Form 1040

Amounts from Form 1040	
1. Enter the amount from Form 1040, line 33.	1. <u>17,206</u>
2. Enter any amount from Form 1040, line 8b.	2. + <u> </u>
3. Enter the amount of any loss* claimed on Form 1040, line 13. (If the amount on Form 1040, line 13, is a gain, enter zero.)	3. + <u> </u>
4. Enter the nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution, except any amount that is nontaxable because it was a trustee-to-trustee transfer or a rollover distribution.*	4. + <u> </u>
Other gains and losses	
5. Enter the amount of any loss claimed on Form 1040, line 12. (If the amount on Form 1040, line 12, is a gain, enter zero.)*	5. <u>294</u>
11. Add the amounts on line 5, 6, and 10 of this worksheet. Enter the result.	
	11. <u>294</u>
12. Multiply the amount on line 11 of this worksheet by 75% (.075). Enter the result.	
	12. + <u>221</u>
21. Add the amounts on lines 1, 2, 3, 4, 12, 13, and 20 of this worksheet. Enter the total. This is your Modified AGI.	
	21. = <u>17,427</u>

Completing EIC Worksheet B. Because the Browns have self-employment income and want to figure their credit themselves, they complete *EIC Worksheet B* (shown here).

Part 1. David and Judy begin *EIC Worksheet B* with Part 1 because Judy is self-employed and will file Schedule SE. They enter \$706 and \$50 from Judy’s Schedule SE on lines 1a and 1d respectively. They figure line 1e to be \$656 (\$706 – \$50).

Part 2. Because David is not filing Schedule SE, the Browns enter David’s \$1,000 loss on lines 2b and 2c. They skip Part 3 because neither David nor Judy is a statutory employee.

Part 4. The Browns combine lines 1e, 2c, and 3 and enter the result on line 4a. They enter their nontaxable earned income of \$1,200 on line 4b and their taxable earned income of \$16,000 on line 4c. They figure their total earned income on line 4d to be \$16,856. Because that amount is less than \$30,580, they qualify for the credit, so they enter their total earned income on line 6.

Part 5. David and Judy look up the amount on line 6 (\$16,856) in the EIC Table for *Two children*. They enter the amount of \$2,886 on line 7. They enter their modified AGI amount (\$17,427 from *Worksheet 3*) on line 8 and see that it is different from the amount on line 6. They look up \$17,427 in the EIC Table and enter the amount of \$2,770 on line 10. They enter \$2,770 on line 11. This is the smaller of the line 7 amount (\$2,886) and the line 10 amount (\$2,770).



Part 6. The Browns do not owe AMT (line 12) so they enter their EIC of \$2,770 on line 13. They also enter that amount on line 59a of their Form 1040. They enter “\$1,200” and “401(k) contribution” on line 59b to show their nontaxable earned income. They will now complete Schedule EIC (not shown), including information for two of their three children, and attach it to their return. They will keep *EIC Worksheet B* for their records.

EICWorksheet B —Earned Income Credit (EIC)		Keep for Your Records										
<p>Use this worksheet if you are self-employed or you are filing Schedule C or C-EZ as a statutory employee.</p> <p>✓ Complete the parts below (Parts 1–3) that apply to you. Then, go to Part 4.</p> <p>✓ If you are married filing a joint return, include your spouse’s amounts, if any, with yours to figure the amounts to enter in Parts 1 through 3.</p>		<p><i>TIP:</i> You can tear this worksheet from the booklet before you begin</p>										
<p>Part 1</p> <p>Self-Employed Filing Schedule SE</p>	<p>1a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.</p> <p>1b. Enter the amount from Schedule SE, Section B, line 4b, if any.</p> <p>1c. Add lines 1a and 1b.</p> <p>1d. Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.</p> <p>1e. Subtract line 1d from 1c.</p>	<table border="1"> <tr><td>1a</td><td>706</td></tr> <tr><td>1b</td><td></td></tr> <tr><td>1c</td><td>706</td></tr> <tr><td>1d</td><td>50</td></tr> <tr><td>1e</td><td>656</td></tr> </table>	1a	706	1b		1c	706	1d	50	1e	656
1a	706											
1b												
1c	706											
1d	50											
1e	656											
<p>Part 2</p> <p>Self-Employed NOT Filing Schedule SE</p> <p><small>For example, your net earnings from self-employment were less than \$400.</small></p>	<p>2. Do not include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.</p> <p>a. Enter any net farm profit (or loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), line 15a.</p> <p>b. Enter any net profit (or loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9.</p> <p>c. Combine lines 2a and 2b.</p>	<table border="1"> <tr><td>2a</td><td></td></tr> <tr><td>2b</td><td>(1,000)</td></tr> <tr><td>2c</td><td>(1,000)</td></tr> </table>	2a		2b	(1,000)	2c	(1,000)				
2a												
2b	(1,000)											
2c	(1,000)											
<p>Part 3</p> <p>Statutory Employees Filing Schedule C or C-EZ</p>	<p>3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.</p>	<table border="1"> <tr><td>3</td><td></td></tr> </table>	3									
3												
<p>Part 4</p> <p>All Self-Employed and Statutory Employees</p>	<p>4a. Combine lines 1e, 2c, and 3.</p> <p>4b. Enter your nontaxable earned income from Worksheet 2, line 11.</p> <p>4c. Enter your taxable earned income from Worksheet 2, line 6.</p> <p>4d. Combine lines 4a, 4b, and 4c. This is your total earned income.</p>	<table border="1"> <tr><td>4a</td><td>(344)</td></tr> <tr><td>4b</td><td>1,200</td></tr> <tr><td>4c</td><td>16,000</td></tr> <tr><td>4d</td><td>16,856</td></tr> </table>	4a	(344)	4b	1,200	4c	16,000	4d	16,856		
4a	(344)											
4b	1,200											
4c	16,000											
4d	16,856											



EIC Worksheet B —Continued		Keep for Your Records
Part 5 All Filers Using Worksheet B	6. Enter your total earned income from Part 4, line 4d, of this worksheet.	6 <input style="width: 100px;" type="text" value="16,886"/>
	7. Look up the amount on line 6 above in the EIC Table in the Appendix to find the credit. Enter the credit here.	7 <input style="width: 100px;" type="text" value="2,886"/>
	If line 7 is zero, You cannot take the credit. Put "No" on Form 1040, line 59a; Form 1040A, line 37a; or Form 1040EZ, line 8a.	
	8. Enter your modified adjusted gross income. (If you filled out Worksheet 3 on page 25, this is the amount on line 21 of that worksheet.)	8 <input style="width: 100px;" type="text" value="17,427"/>
	9. Are the amounts on lines 8 and 6 the same?	
	<input type="checkbox"/> Yes. Skip line 10; enter the amount from line 7 on line 11.	
	<input checked="" type="checkbox"/> No. Go to line 10.	
	10. Is the amount on line 8 less than:	
	<ul style="list-style-type: none"> • \$5,700 if you do not have a qualifying child, OR • \$12,500 if you have one or more qualifying children? 	
	<input type="checkbox"/> Yes. Leave line 10 blank; enter the amount from line 7 on line 11.	
<input checked="" type="checkbox"/> No. Look up the amount on line 8 in the EIC Table in the Appendix to find the credit. Enter the credit here. Look at the amounts on lines 10 and 7. Then, enter the SMALLER amount on line 11.		10 <input style="width: 100px;" type="text" value="2,770"/>
Part 6 Your Earned Income Credit	11. This is the amount from Part 5 above.	11 <input style="width: 100px;" type="text" value="2,770"/>
	12. Enter the amount of alternative minimum tax from Form 1040, line 51, or included in the total on Form 1040A, line 34, if any.	12 <input style="width: 100px;" type="text"/>
	13. Subtract line 12 from line 11. This is your earned income credit.	13 <input style="width: 100px;" type="text" value="2,770"/>

Example: Sharon Rose is employed part time, receives a pension, and will file Form 1040A.

Example 3. Sharon Rose (Form 1040A)

Sharon Rose is age 63 and retired. She received \$7,000 in social security benefits during the year and \$4,850 from a part-time job. She received pension payments of \$6,000. Only \$5,000 of those payments are taxable. Sharon had no other income. She lived alone in the United States for the entire year and cannot be claimed as a dependent on anyone else’s return. She does not have any investment income and does not have a qualifying child.

Sharon reads the steps for eligibility in her Form 1040A instructions. In Step 3 she discovers that, because part of her pension is not taxable, she must use Publication 596 to find out if she can get the EIC.

To find her modified AGI, Sharon starts with her AGI of \$9,850 (\$4,850 + \$5,000), the amount on line 18 of her Form 1040A. To that amount, she adds \$1,000, the nontaxable part of her pension. The result is her modified AGI, \$10,850, which is not less than \$10,200 (the limit on modified AGI for people who do not have a qualifying child). She cannot take the EIC. She completes the rest of her Form 1040A and files it with the IRS.

Example:

Steve and Linda Green have two children, run a dairy farm, and will file Form 1040.

Example 4. Steve and Linda Green (Form 1040)

Steve and Linda Green have two children, Amy, age 8, and Carol, age 10, who lived with them all year.

Steve owns and operates a dairy farm that had a loss of \$2,000 in 1999. Steve reports this loss on Schedule F and on Form 1040, line 18. Steve qualifies and chooses to use the optional method to figure net earnings, so he uses Section B of Schedule SE. He enters \$1,600 on lines 15 and 4b of Section B of Schedule SE. Steve figures self-employment tax of \$244. He deducts one-half of it (\$122) on line 27 (Form 1040).

Linda had wages of \$15,000, which she reports on Form 1040, line 7. She also received advance EIC payments of \$1,140, which she reports on Form 1040, line 54.

Steve and Linda had a \$1,000 loss from the sale of stock and a \$5,000 gain from the sale of dairy cows. They report the \$5,000 gain on Form 4797, *Sales of Business Property*. They do not have any other sales to report on Form 4797, so they enter \$5,000 on line 7, column (g), of Form 4797 and on line 11, column (f), of Schedule D. (They have no prior year section 1231 losses.) They report their net capital gain of \$4,000 from Schedule D on Form 1040, line 13.

The Greens read Publication 596 to see if they can claim the EIC. They use *Worksheet 1* (shown here) to figure their investment income, which is zero. They use *Worksheet 3* (not shown) to figure their modified AGI of \$18,378. They find that they are eligible to get the EIC. They use *EIC Worksheet B* (shown here) to figure their EIC of \$2,570. They also complete Schedule EIC (not shown) and attach it to their Form 1040.

Worksheet 1. Investment Income If You Are Filing Form 1040	
	Interest and Dividends
	1. Enter the amount from Form 1040, line 8a. 1. _____
	2. Enter the amount from Form 1040, line 8b. 2. + _____
	3. Enter the amount from Form 1040, line 9. 3. + _____
	Capital Gain Net Income
	4. Enter the amount from Form 1040, line 13. If the amount on that line is a loss, enter zero. 4. <u>4,000</u>
5. Enter any gain from Form 4797, <i>Sales of Business Property</i> , line 7, column (g). If the amount of that line is a loss, enter zero. (But, if you completed lines 8 and 9 of Form 4797, enter the amount from line 9, column (g) instead.) 5. - <u>5,000</u>	
6. Subtract line 5 of this worksheet from line 4 of this worksheet. (If the result is less than zero, enter zero.) 6. + <u>0</u>	
<hr/>	
17. Add the amounts on lines 1, 2, 3, 6, 13, and 16. Enter the total. 17. = <u>0</u>	
<p style="text-align: center;">This is your Investment Income.</p>	



EIC Worksheet B —Earned Income Credit (EIC)		Keep for Your Records										
<p>Use this worksheet if you are self-employed or you are filing Schedule C or C-EZ as a statutory employee.</p> <p>✓ Complete the parts below (Parts 1–3) that apply to you. Then, go to Part 4. ✓ If you are married filing a joint return, include your spouse's amounts, if any, with yours to figure the amounts to enter in Parts 1 through 3.</p>		<p><i>TIP:</i> You can tear this worksheet from the booklet before you begin</p>										
<p>Part 1</p> <p>Self-Employed Filing Schedule SE</p>	<p>1a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.</p> <p>1b. Enter the amount from Schedule SE, Section B, line 4b, if any.</p> <p>1c. Add lines 1a and 1b.</p> <p>1d. Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.</p> <p>1e. Subtract line 1d from 1c.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px;">1a</td><td style="width: 100px;"></td></tr> <tr><td>+ 1b</td><td style="text-align: right;">1,600</td></tr> <tr><td>= 1c</td><td style="text-align: right;">1,600</td></tr> <tr><td>- 1d</td><td style="text-align: right;">122</td></tr> <tr><td>= 1e</td><td style="text-align: right; border: 2px solid black;">1,478</td></tr> </table>	1a		+ 1b	1,600	= 1c	1,600	- 1d	122	= 1e	1,478
1a												
+ 1b	1,600											
= 1c	1,600											
- 1d	122											
= 1e	1,478											
<p>Part 4</p> <p>All Self-Employed and Statutory Employees</p>	<p>4a. Combine lines 1e, 2c, and 3.</p> <p>4b. Enter your nontaxable earned income from Worksheet 2, line 11.</p> <p>4c. Enter your taxable earned income from Worksheet 2, line 6.</p> <p>4d. Combine lines 4a, 4b, and 4c. This is your total earned income.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px;">4a</td><td style="width: 100px;">1,478</td></tr> <tr><td>+ 4b</td><td style="text-align: right;">0</td></tr> <tr><td>+ 4c</td><td style="text-align: right;">15,000</td></tr> <tr><td>= 4d</td><td style="text-align: right; border: 2px solid black;">16,478</td></tr> </table>	4a	1,478	+ 4b	0	+ 4c	15,000	= 4d	16,478		
4a	1,478											
+ 4b	0											
+ 4c	15,000											
= 4d	16,478											

EICWorksheet B —Continued		Keep for Your Records								
<p>Part 5</p> <p>All Filers Using Worksheet B</p>	<p>6. Enter your total earned income from Part 4, line 4d, of this worksheet.</p> <p>7. Look up the amount on line 6 above in the EIC Table in the Appendix to find the credit. Enter the credit here.</p> <p>If line 7 is zero, STOP You cannot take the credit. Put "No" on Form 1040, line 59a; Form 1040A, line 37a; or Form 1040EZ, line 8a.</p> <p>8. Enter your modified adjusted gross income. (If you filled out Worksheet 3 on page 25, this is the amount on line 21 of that worksheet.)</p> <p>9. Are the amounts on lines 8 and 6 the same?</p> <p><input type="checkbox"/> Yes. Skip line 10; enter the amount from line 7 on line 11.</p> <p><input checked="" type="checkbox"/> No. Go to line 10.</p> <p>10. Is the amount on line 8 less than:</p> <ul style="list-style-type: none"> • \$5,700 if you do not have a qualifying child, OR • \$12,500 if you have one or more qualifying children? <p><input type="checkbox"/> Yes. Leave line 10 blank; enter the amount from line 7 on line 11.</p> <p><input checked="" type="checkbox"/> No. Look up the amount on line 8 in the EIC Table in the Appendix to find the credit. Enter the credit here.</p> <p style="text-align: center;"><i>Look at the amounts on lines 10 and 7. Then, enter the SMALLER amount on line 11.</i></p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px;">6</td><td style="width: 100px;">16,478</td></tr> <tr><td style="width: 20px;">7</td><td style="width: 100px; border: 2px solid black;">2,970</td></tr> <tr><td style="width: 20px;">8</td><td style="width: 100px;">18,378</td></tr> <tr><td style="width: 20px;">10</td><td style="width: 100px; border: 2px solid black;">2,570</td></tr> </table>	6	16,478	7	2,970	8	18,378	10	2,570
6	16,478									
7	2,970									
8	18,378									
10	2,570									
<p>Part 6</p> <p>Your Earned Income Credit</p>	<p>11. This is the amount from Part 5 above.</p> <p>12. Enter the amount of alternative minimum tax from Form 1040, line 51, or included in the total on Form 1040A, line 34, if any.</p> <p>13. Subtract line 12 from line 11. This is your earned income credit.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px;">11</td><td style="width: 100px;">2,570</td></tr> <tr><td style="width: 20px;">12</td><td style="width: 100px;"></td></tr> <tr><td style="width: 20px;">13</td><td style="width: 100px; border: 2px solid black;">2,570</td></tr> </table>	11	2,570	12		13	2,570		
11	2,570									
12										
13	2,570									



Appendix

1999 Earned Income Credit (EIC) Table

Caution: This is not a tax table.

1. To find your credit, read down the "At least - But less than" columns and find the line that includes the amount you were told to look up from your EIC Worksheet.

2. Then, read across to the column that includes the number of qualifying children you have. Enter the credit from that column on your EIC Worksheet.

Example. If you have one qualifying child and the amount you are looking up from your EIC Worksheet is \$4,875, you would enter \$1,658.

If the amount you are looking up from the worksheet is—		And you have—		
At least	But less than	No children	One child	Two children
4,800	4,850	347	1,641	1,930
4,850	4,900	347	1,658	1,950
4,900	4,950	347	1,675	1,970
4,950	5,000	347	1,692	1,990

If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—							
At least	But less than	Your credit is—	No children	One child	Two children	At least	But less than	Your credit is—	No children	One child	Two children	At least	But less than	Your credit is—	No children	One child	Two children		
\$1	\$50	\$2	\$9	\$10	2,200	2,250	170	757	890	4,400	4,450	339	1,505	1,770	6,600	6,650	273	2,253	2,650
50	100	6	26	30	2,250	2,300	174	774	910	4,450	4,500	342	1,522	1,790	6,650	6,700	270	2,270	2,670
100	150	10	43	50	2,300	2,350	178	791	930	4,500	4,550	347	1,539	1,810	6,700	6,750	266	2,287	2,690
150	200	13	60	70	2,350	2,400	182	808	950	4,550	4,600	347	1,556	1,830	6,750	6,800	262	2,304	2,710
200	250	17	77	90	2,400	2,450	186	825	970	4,600	4,650	347	1,573	1,850	6,800	6,850	258	2,312	2,730
250	300	21	94	110	2,450	2,500	189	842	990	4,650	4,700	347	1,590	1,870	6,850	6,900	254	2,312	2,750
300	350	25	111	130	2,500	2,550	193	859	1,010	4,700	4,750	347	1,607	1,890	6,900	6,950	251	2,312	2,770
350	400	29	128	150	2,550	2,600	197	876	1,030	4,750	4,800	347	1,624	1,910	6,950	7,000	247	2,312	2,790
400	450	33	145	170	2,600	2,650	201	893	1,050	4,800	4,850	347	1,641	1,930	7,000	7,050	243	2,312	2,810
450	500	36	162	190	2,650	2,700	205	910	1,070	4,850	4,900	347	1,658	1,950	7,050	7,100	239	2,312	2,830
500	550	40	179	210	2,700	2,750	208	927	1,090	4,900	4,950	347	1,675	1,970	7,100	7,150	235	2,312	2,850
550	600	44	196	230	2,750	2,800	212	944	1,110	4,950	5,000	347	1,692	1,990	7,150	7,200	231	2,312	2,870
600	650	48	213	250	2,800	2,850	216	961	1,130	5,000	5,050	347	1,709	2,010	7,200	7,250	228	2,312	2,890
650	700	52	230	270	2,850	2,900	220	978	1,150	5,050	5,100	347	1,726	2,030	7,250	7,300	224	2,312	2,910
700	750	55	247	290	2,900	2,950	224	995	1,170	5,100	5,150	347	1,743	2,050	7,300	7,350	220	2,312	2,930
750	800	59	264	310	2,950	3,000	228	1,012	1,190	5,150	5,200	347	1,760	2,070	7,350	7,400	216	2,312	2,950
800	850	63	281	330	3,000	3,050	231	1,029	1,210	5,200	5,250	347	1,777	2,090	7,400	7,450	212	2,312	2,970
850	900	67	298	350	3,050	3,100	235	1,046	1,230	5,250	5,300	347	1,794	2,110	7,450	7,500	208	2,312	2,990
900	950	71	315	370	3,100	3,150	239	1,063	1,250	5,300	5,350	347	1,811	2,130	7,500	7,550	205	2,312	3,010
950	1,000	75	332	390	3,150	3,200	243	1,080	1,270	5,350	5,400	347	1,828	2,150	7,550	7,600	201	2,312	3,030
1,000	1,050	78	349	410	3,200	3,250	247	1,097	1,290	5,400	5,450	347	1,845	2,170	7,600	7,650	197	2,312	3,050
1,050	1,100	82	366	430	3,250	3,300	251	1,114	1,310	5,450	5,500	347	1,862	2,190	7,650	7,700	193	2,312	3,070
1,100	1,150	86	383	450	3,300	3,350	254	1,131	1,330	5,500	5,550	347	1,879	2,210	7,700	7,750	189	2,312	3,090
1,150	1,200	90	400	470	3,350	3,400	258	1,148	1,350	5,550	5,600	347	1,896	2,230	7,750	7,800	186	2,312	3,110
1,200	1,250	94	417	490	3,400	3,450	262	1,165	1,370	5,600	5,650	347	1,913	2,250	7,800	7,850	182	2,312	3,130
1,250	1,300	98	434	510	3,450	3,500	266	1,182	1,390	5,650	5,700	347	1,930	2,270	7,850	7,900	178	2,312	3,150
1,300	1,350	101	451	530	3,500	3,550	270	1,199	1,410	5,700	5,750	342	1,947	2,290	7,900	7,950	174	2,312	3,170
1,350	1,400	105	468	550	3,550	3,600	273	1,216	1,430	5,750	5,800	339	1,964	2,310	7,950	8,000	170	2,312	3,190
1,400	1,450	109	485	570	3,600	3,650	277	1,233	1,450	5,800	5,850	335	1,981	2,330	8,000	8,050	166	2,312	3,210
1,450	1,500	113	502	590	3,650	3,700	281	1,250	1,470	5,850	5,900	331	1,998	2,350	8,050	8,100	163	2,312	3,230
1,500	1,550	117	519	610	3,700	3,750	285	1,267	1,490	5,900	5,950	327	2,015	2,370	8,100	8,150	159	2,312	3,250
1,550	1,600	120	536	630	3,750	3,800	289	1,284	1,510	5,950	6,000	323	2,032	2,390	8,150	8,200	155	2,312	3,270
1,600	1,650	124	553	650	3,800	3,850	293	1,301	1,530	6,000	6,050	319	2,049	2,410	8,200	8,250	151	2,312	3,290
1,650	1,700	128	570	670	3,850	3,900	296	1,318	1,550	6,050	6,100	316	2,066	2,430	8,250	8,300	147	2,312	3,310
1,700	1,750	132	587	690	3,900	3,950	300	1,335	1,570	6,100	6,150	312	2,083	2,450	8,300	8,350	143	2,312	3,330
1,750	1,800	136	604	710	3,950	4,000	304	1,352	1,590	6,150	6,200	308	2,100	2,470	8,350	8,400	140	2,312	3,350
1,800	1,850	140	621	730	4,000	4,050	308	1,369	1,610	6,200	6,250	304	2,117	2,490	8,400	8,450	136	2,312	3,370
1,850	1,900	143	638	750	4,050	4,100	312	1,386	1,630	6,250	6,300	300	2,134	2,510	8,450	8,500	132	2,312	3,390
1,900	1,950	147	655	770	4,100	4,150	316	1,403	1,650	6,300	6,350	296	2,151	2,530	8,500	8,550	128	2,312	3,410
1,950	2,000	151	672	790	4,150	4,200	319	1,420	1,670	6,350	6,400	293	2,168	2,550	8,550	8,600	124	2,312	3,430
2,000	2,050	155	689	810	4,200	4,250	323	1,437	1,690	6,400	6,450	289	2,185	2,570	8,600	8,650	120	2,312	3,450
2,050	2,100	159	706	830	4,250	4,300	327	1,454	1,710	6,450	6,500	285	2,202	2,590	8,650	8,700	117	2,312	3,470
2,100	2,150	163	723	850	4,300	4,350	331	1,471	1,730	6,500	6,550	281	2,219	2,610	8,700	8,750	113	2,312	3,490
2,150	2,200	166	740	870	4,350	4,400	335	1,488	1,750	6,550	6,600	277	2,236	2,630	8,750	8,800	109	2,312	3,510

(Continued)

1999 Earned Income Credit (EIC) Table *Continued* (Caution: This is not a tax table.)

If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—							
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children	No children	One child	Two children		
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—							
8,800	8,850	105	2,312	3,530	13,850	13,900	0	2,086	3,518	16,650	16,700	0	1,638	2,928	19,450	19,500	0	1,191	2,339
8,850	8,900	101	2,312	3,550	13,900	13,950	0	2,078	3,507	16,700	16,750	0	1,630	2,918	19,500	19,550	0	1,183	2,328
8,900	8,950	98	2,312	3,570	13,950	14,000	0	2,070	3,497	16,750	16,800	0	1,622	2,907	19,550	19,600	0	1,175	2,318
8,950	9,000	94	2,312	3,590	14,000	14,050	0	2,062	3,486	16,800	16,850	0	1,614	2,897	19,600	19,650	0	1,167	2,307
9,000	9,050	90	2,312	3,610	14,050	14,100	0	2,054	3,476	16,850	16,900	0	1,606	2,886	19,650	19,700	0	1,159	2,297
9,050	9,100	86	2,312	3,630	14,100	14,150	0	2,046	3,465	16,900	16,950	0	1,598	2,876	19,700	19,750	0	1,151	2,286
9,100	9,150	82	2,312	3,650	14,150	14,200	0	2,038	3,455	16,950	17,000	0	1,591	2,865	19,750	19,800	0	1,143	2,275
9,150	9,200	78	2,312	3,670	14,200	14,250	0	2,030	3,444	17,000	17,050	0	1,583	2,855	19,800	19,850	0	1,135	2,265
9,200	9,250	75	2,312	3,690	14,250	14,300	0	2,022	3,434	17,050	17,100	0	1,575	2,844	19,850	19,900	0	1,127	2,254
9,250	9,300	71	2,312	3,710	14,300	14,350	0	2,014	3,423	17,100	17,150	0	1,567	2,834	19,900	19,950	0	1,119	2,244
9,300	9,350	67	2,312	3,730	14,350	14,400	0	2,006	3,413	17,150	17,200	0	1,559	2,823	19,950	20,000	0	1,111	2,233
9,350	9,400	63	2,312	3,750	14,400	14,450	0	1,998	3,402	17,200	17,250	0	1,551	2,812	20,000	20,050	0	1,103	2,223
9,400	9,450	59	2,312	3,770	14,450	14,500	0	1,990	3,392	17,250	17,300	0	1,543	2,802	20,050	20,100	0	1,095	2,212
9,450	9,500	55	2,312	3,790	14,500	14,550	0	1,982	3,381	17,300	17,350	0	1,535	2,791	20,100	20,150	0	1,087	2,202
9,500	9,550	52	2,312	3,816	14,550	14,600	0	1,974	3,371	17,350	17,400	0	1,527	2,781	20,150	20,200	0	1,079	2,191
9,550	9,600	48	2,312	3,816	14,600	14,650	0	1,966	3,360	17,400	17,450	0	1,519	2,770	20,200	20,250	0	1,071	2,181
9,600	9,650	44	2,312	3,816	14,650	14,700	0	1,958	3,350	17,450	17,500	0	1,511	2,760	20,250	20,300	0	1,063	2,170
9,650	9,700	40	2,312	3,816	14,700	14,750	0	1,950	3,339	17,500	17,550	0	1,503	2,749	20,300	20,350	0	1,055	2,160
9,700	9,750	36	2,312	3,816	14,750	14,800	0	1,942	3,328	17,550	17,600	0	1,495	2,739	20,350	20,400	0	1,047	2,149
9,750	9,800	33	2,312	3,816	14,800	14,850	0	1,934	3,318	17,600	17,650	0	1,487	2,728	20,400	20,450	0	1,039	2,139
9,800	9,850	29	2,312	3,816	14,850	14,900	0	1,926	3,307	17,650	17,700	0	1,479	2,718	20,450	20,500	0	1,031	2,128
9,850	9,900	25	2,312	3,816	14,900	14,950	0	1,918	3,297	17,700	17,750	0	1,471	2,707	20,500	20,550	0	1,023	2,118
9,900	9,950	21	2,312	3,816	14,950	15,000	0	1,910	3,286	17,750	17,800	0	1,463	2,697	20,550	20,600	0	1,015	2,107
9,950	10,000	17	2,312	3,816	15,000	15,050	0	1,902	3,276	17,800	17,850	0	1,455	2,686	20,600	20,650	0	1,007	2,096
10,000	10,050	13	2,312	3,816	15,050	15,100	0	1,894	3,265	17,850	17,900	0	1,447	2,676	20,650	20,700	0	999	2,086
10,050	10,100	10	2,312	3,816	15,100	15,150	0	1,886	3,255	17,900	17,950	0	1,439	2,665	20,700	20,750	0	991	2,075
10,100	10,150	6	2,312	3,816	15,150	15,200	0	1,878	3,244	17,950	18,000	0	1,431	2,655	20,750	20,800	0	983	2,065
10,150	10,200	2	2,312	3,816	15,200	15,250	0	1,870	3,234	18,000	18,050	0	1,423	2,644	20,800	20,850	0	975	2,054
10,200	12,500	0	2,312	3,816	15,250	15,300	0	1,862	3,223	18,050	18,100	0	1,415	2,633	20,850	20,900	0	967	2,044
12,500	12,550	0	2,302	3,802	15,300	15,350	0	1,854	3,213	18,100	18,150	0	1,407	2,623	20,900	20,950	0	959	2,033
12,550	12,600	0	2,294	3,792	15,350	15,400	0	1,846	3,202	18,150	18,200	0	1,399	2,612	20,950	21,000	0	951	2,023
12,600	12,650	0	2,286	3,781	15,400	15,450	0	1,838	3,192	18,200	18,250	0	1,391	2,602	21,000	21,050	0	943	2,012
12,650	12,700	0	2,278	3,771	15,450	15,500	0	1,830	3,181	18,250	18,300	0	1,383	2,591	21,050	21,100	0	935	2,002
12,700	12,750	0	2,270	3,760	15,500	15,550	0	1,822	3,171	18,300	18,350	0	1,375	2,581	21,100	21,150	0	927	1,991
12,750	12,800	0	2,262	3,750	15,550	15,600	0	1,814	3,160	18,350	18,400	0	1,367	2,570	21,150	21,200	0	919	1,981
12,800	12,850	0	2,254	3,739	15,600	15,650	0	1,806	3,149	18,400	18,450	0	1,359	2,560	21,200	21,250	0	911	1,970
12,850	12,900	0	2,246	3,729	15,650	15,700	0	1,798	3,139	18,450	18,500	0	1,351	2,549	21,250	21,300	0	903	1,960
12,900	12,950	0	2,238	3,718	15,700	15,750	0	1,790	3,128	18,500	18,550	0	1,343	2,539	21,300	21,350	0	895	1,949
12,950	13,000	0	2,230	3,708	15,750	15,800	0	1,782	3,118	18,550	18,600	0	1,335	2,528	21,350	21,400	0	887	1,939
13,000	13,050	0	2,222	3,697	15,800	15,850	0	1,774	3,107	18,600	18,650	0	1,327	2,518	21,400	21,450	0	879	1,928
13,050	13,100	0	2,214	3,686	15,850	15,900	0	1,766	3,097	18,650	18,700	0	1,319	2,507	21,450	21,500	0	871	1,917
13,100	13,150	0	2,206	3,676	15,900	15,950	0	1,758	3,086	18,700	18,750	0	1,311	2,497	21,500	21,550	0	863	1,907
13,150	13,200	0	2,198	3,665	15,950	16,000	0	1,750	3,076	18,750	18,800	0	1,303	2,486	21,550	21,600	0	855	1,896
13,200	13,250	0	2,190	3,655	16,000	16,050	0	1,742	3,065	18,800	18,850	0	1,295	2,476	21,600	21,650	0	847	1,886
13,250	13,300	0	2,182	3,644	16,050	16,100	0	1,734	3,055	18,850	18,900	0	1,287	2,465	21,650	21,700	0	839	1,875
13,300	13,350	0	2,174	3,634	16,100	16,150	0	1,726	3,044	18,900	18,950	0	1,279	2,454	21,700	21,750	0	831	1,865
13,350	13,400	0	2,166	3,623	16,150	16,200	0	1,718	3,034	18,950	19,000	0	1,271	2,444	21,750	21,800	0	823	1,854
13,400	13,450	0	2,158	3,613	16,200	16,250	0	1,710	3,023	19,000	19,050	0	1,263	2,433	21,800	21,850	0	815	1,844
13,450	13,500	0	2,150	3,602	16,250	16,300	0	1,702	3,013	19,050	19,100	0	1,255	2,423	21,850	21,900	0	807	1,833
13,500	13,550	0	2,142	3,592	16,300	16,350	0	1,694	3,002	19,100	19,150	0	1,247	2,412	21,900	21,950	0	799	1,823
13,550	13,600	0	2,134	3,581	16,350	16,400	0	1,686	2,992	19,150	19,200	0	1,239	2,402	21,950	22,000	0	792	1,812
13,600	13,650	0	2,126	3,571	16,400	16,450	0	1,678	2,981	19,200	19,250	0	1,231	2,391	22,000	22,050	0	784	1,802
13,650	13,700	0	2,118	3,560	16,450	16,500	0	1,670	2,970	19,250	19,300	0	1,223	2,381	22,050	22,100	0	776	1,791
13,700	13,750	0	2,110	3,550	16,500	16,550	0	1,662	2,960	19,300	19,350	0	1,215	2,370	22,100	22,150	0	768	1,781
13,750	13,800	0	2,102	3,539	16,550	16,600	0	1,654	2,949	19,350	19,400	0	1,207	2,360	22,150	22,200	0	760	1,770
13,800	13,850	0	2,094	3,529	16,600	16,650	0	1,646	2,939	19,400	19,450	0	1,199	2,349	22,200	22,250	0	752	1,759

*If the amount on line 6 or line 8 of the worksheet is at least \$10,000 but less than \$10,200, your credit is \$1. Otherwise, you cannot take the credit. (Continued)

1999 Earned Income Credit (EIC) Table *Continued* (Caution: This is *not* a tax table.)

If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—							
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children					
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—							
22,250	22,300	0	744	1,749	24,450	24,500	0	392	1,286	26,650	26,700	0	40	822	28,850	28,900	0	0	359
22,300	22,350	0	736	1,738	24,500	24,550	0	384	1,275	26,700	26,750	0	32	812	28,900	28,950	0	0	348
22,350	22,400	0	728	1,728	24,550	24,600	0	376	1,265	26,750	26,800	0	24	801	28,950	29,000	0	0	338
22,400	22,450	0	720	1,717	24,600	24,650	0	368	1,254	26,800	26,850	0	16	791	29,000	29,050	0	0	327
22,450	22,500	0	712	1,707	24,650	24,700	0	360	1,244	26,850	26,900	0	8	780	29,050	29,100	0	0	317
22,500	22,550	0	704	1,696	24,700	24,750	0	352	1,233	26,900	26,950	0	*	770	29,100	29,150	0	0	306
22,550	22,600	0	696	1,686	24,750	24,800	0	344	1,222	26,950	27,000	0	0	759	29,150	29,200	0	0	296
22,600	22,650	0	688	1,675	24,800	24,850	0	336	1,212	27,000	27,050	0	0	749	29,200	29,250	0	0	285
22,650	22,700	0	680	1,665	24,850	24,900	0	328	1,201	27,050	27,100	0	0	738	29,250	29,300	0	0	275
22,700	22,750	0	672	1,654	24,900	24,950	0	320	1,191	27,100	27,150	0	0	728	29,300	29,350	0	0	264
22,750	22,800	0	664	1,644	24,950	25,000	0	312	1,180	27,150	27,200	0	0	717	29,350	29,400	0	0	254
22,800	22,850	0	656	1,633	25,000	25,050	0	304	1,170	27,200	27,250	0	0	706	29,400	29,450	0	0	243
22,850	22,900	0	648	1,623	25,050	25,100	0	296	1,159	27,250	27,300	0	0	696	29,450	29,500	0	0	233
22,900	22,950	0	640	1,612	25,100	25,150	0	288	1,149	27,300	27,350	0	0	685	29,500	29,550	0	0	222
22,950	23,000	0	632	1,602	25,150	25,200	0	280	1,138	27,350	27,400	0	0	675	29,550	29,600	0	0	212
23,000	23,050	0	624	1,591	25,200	25,250	0	272	1,128	27,400	27,450	0	0	664	29,600	29,650	0	0	201
23,050	23,100	0	616	1,580	25,250	25,300	0	264	1,117	27,450	27,500	0	0	654	29,650	29,700	0	0	191
23,100	23,150	0	608	1,570	25,300	25,350	0	256	1,107	27,500	27,550	0	0	643	29,700	29,750	0	0	180
23,150	23,200	0	600	1,559	25,350	25,400	0	248	1,096	27,550	27,600	0	0	633	29,750	29,800	0	0	169
23,200	23,250	0	592	1,549	25,400	25,450	0	240	1,086	27,600	27,650	0	0	622	29,800	29,850	0	0	159
23,250	23,300	0	584	1,538	25,450	25,500	0	232	1,075	27,650	27,700	0	0	612	29,850	29,900	0	0	148
23,300	23,350	0	576	1,528	25,500	25,550	0	224	1,065	27,700	27,750	0	0	601	29,900	29,950	0	0	138
23,350	23,400	0	568	1,517	25,550	25,600	0	216	1,054	27,750	27,800	0	0	591	29,950	30,000	0	0	127
23,400	23,450	0	560	1,507	25,600	25,650	0	208	1,043	27,800	27,850	0	0	580	30,000	30,050	0	0	117
23,450	23,500	0	552	1,496	25,650	25,700	0	200	1,033	27,850	27,900	0	0	570	30,050	30,100	0	0	106
23,500	23,550	0	544	1,486	25,700	25,750	0	192	1,022	27,900	27,950	0	0	559	30,100	30,150	0	0	96
23,550	23,600	0	536	1,475	25,750	25,800	0	184	1,012	27,950	28,000	0	0	549	30,150	30,200	0	0	85
23,600	23,650	0	528	1,465	25,800	25,850	0	176	1,001	28,000	28,050	0	0	538	30,200	30,250	0	0	75
23,650	23,700	0	520	1,454	25,850	25,900	0	168	991	28,050	28,100	0	0	527	30,250	30,300	0	0	64
23,700	23,750	0	512	1,444	25,900	25,950	0	160	980	28,100	28,150	0	0	517	30,300	30,350	0	0	54
23,750	23,800	0	504	1,433	25,950	26,000	0	152	970	28,150	28,200	0	0	506	30,350	30,400	0	0	43
23,800	23,850	0	496	1,423	26,000	26,050	0	144	959	28,200	28,250	0	0	496	30,400	30,450	0	0	33
23,850	23,900	0	488	1,412	26,050	26,100	0	136	949	28,250	28,300	0	0	485	30,450	30,500	0	0	22
23,900	23,950	0	480	1,401	26,100	26,150	0	128	938	28,300	28,350	0	0	475	30,500	30,550	0	0	12
23,950	24,000	0	472	1,391	26,150	26,200	0	120	928	28,350	28,400	0	0	464	30,550	30,580	0	0	3
24,000	24,050	0	464	1,380	26,200	26,250	0	112	917	28,400	28,450	0	0	454	30,580 or more		0	0	0
24,050	24,100	0	456	1,370	26,250	26,300	0	104	907	28,450	28,500	0	0	443					
24,100	24,150	0	448	1,359	26,300	26,350	0	96	896	28,500	28,550	0	0	433					
24,150	24,200	0	440	1,349	26,350	26,400	0	88	886	28,550	28,600	0	0	422					
24,200	24,250	0	432	1,338	26,400	26,450	0	80	875	28,600	28,650	0	0	412					
24,250	24,300	0	424	1,328	26,450	26,500	0	72	864	28,650	28,700	0	0	401					
24,300	24,350	0	416	1,317	26,500	26,550	0	64	854	28,700	28,750	0	0	391					
24,350	24,400	0	408	1,307	26,550	26,600	0	56	843	28,750	28,800	0	0	380					
24,400	24,450	0	400	1,296	26,600	26,650	0	48	833	28,800	28,850	0	0	370					

*If the amount you are looking up from the worksheet is at least \$26,900 but less than \$26,928, your credit is \$2. Otherwise, you cannot take the credit.

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IRS Publication 3207, *Small Business Resource Guide*, is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get one free copy by calling **1-800-829-3676**.

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EIC Eligibility Checklist

You may claim the EIC if you answer YES to all the following questions.*		YES	NO
1.	Do you, your spouse, and your qualifying child each have a valid SSN that allows you to work? (See <i>Rule 1</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
2.	Is your filing status married filing jointly, head of household, qualifying widow(er), or single? (See <i>Rule 2</i> .) Caution: If you are a nonresident alien, answer YES only if your filing status is married filing jointly and you are married to a U.S. citizen or resident alien. (See <i>Rule 3</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
3.	Answer YES if you are not filing Form 2555 or Form 2555-EZ (related to foreign earned income). (See <i>Rule 4</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
4.	Is your investment income \$2,350 or less? (See <i>Rule 5</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
5.	Is your total earned income at least \$1 but less than: • \$10,200 if you do not have a qualifying child, • \$26,928 if you have one qualifying child, or • \$30,580 if you have more than one qualifying child? (See <i>Rules 6 and 14</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
6.	Is your modified AGI less than: • \$10,200 if you do not have a qualifying child, • \$26,928 if you have one qualifying child, or • \$30,580 if you have more than one qualifying child? (See <i>Rule 15</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
7.	Answer YES if you (and your spouse if filing a joint return) are not a qualifying child of another person. (See <i>Rules 9 and 12</i> .) STOP: If you have a qualifying child, answer questions 8 and 9 and skip 10–12. If you do not have a qualifying child, skip questions 8 and 9 and answer 10–12.*	<input type="checkbox"/>	<input type="checkbox"/>
8.	Does your child meet the age, residency, and relationship tests for a qualifying child? (See <i>Rule 7</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
9.	Is your child a qualifying child only for you? Answer YES if your qualifying child is also a qualifying child for another person but your modified AGI is higher than the other person's. (See <i>Rule 8</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
10.	Was your main home (and your spouse's if filing a joint return) in the United States for more than half the year? (See <i>Rule 13</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
11.	Were you (or your spouse if filing a joint return) at least age 25 but under age 65 at the end of 1999? (See <i>Rule 10</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
12.	Answer YES if you (and your spouse if filing a joint return) cannot be claimed as a dependent on anyone else's return. Answer NO if you (or your spouse if filing a joint return) can be claimed as a dependent on someone else's return. (See <i>Rule 11</i> .)	<input type="checkbox"/>	<input type="checkbox"/>
<p>*PERSONS WITH A QUALIFYING CHILD: If you answered YES to questions 1 through 9, you can claim the EIC. Remember to fill out Schedule EIC and attach it to your Form 1040 or Form 1040A. You cannot use Form 1040EZ.</p> <p>PERSONS WITHOUT A QUALIFYING CHILD: If you answered YES to questions 1 through 7, and 10 through 12, you can claim the EIC.</p> <p>If you answered NO to any question that applies to you: You are not eligible for the EIC.</p>			