

2009 Recovery Act: Increase in Earned Income Credit

The *American Recovery and Reinvestment Tax Act of 2009* (2009 Recovery Act) provides tax relief for many individuals. As a taxpayer with three or more children, you may benefit from a temporary increase in the earned income tax credit.

The earned income credit (EIC) is a refundable tax credit for eligible low-income workers. The credit is based on "earned income," which includes wages, salaries, and other employee compensation, plus earnings from self-employment. The amount of the credit is determined by multiplying an individual's earned income by a credit percentage, subject to a possible phaseout.

The earned income and adjusted gross income limits and the phaseout thresholds applicable to the EIC vary according to whether the taxpayer has one qualifying child, two or more qualifying children, or no qualifying children. The 2009 Recovery Act increases the earned income credit to 45% of a family's first \$12,570 of earned income for families with three or more children and increases the beginning point of the phase-out range for all married couples filing a joint return, regardless of the number of children.

To be a qualifying child, an individual must satisfy a relationship test, a residency test, and an age test. A taxpayer cannot claim the EIC if they are a qualifying child for another taxpayer. In addition, a return claiming the EIC based on a qualifying child or children must include each qualifying child's name, age and social security number.

If you have any questions regarding the earned income tax credit and whether or not you qualify, please call our office at your earliest convenience.