

## Earned Income Tax Credit

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### Intent and Effect

- ◆ Intent is to offset a portion of living expenses and FICA contributions providing much needed support to low-income workers.
- ◆ Typically results in a reduction of taxes owed or a refund to the wage-earner.
- ◆ EITC payments will not be considered as income in these programs: Medicaid, SSI, SNAP (formerly food stamps), and subsidized housing for low-income families.
- ◆ In New York State, the EITC payment is not considered income by cash public assistance programs. (This may not be the case in other states.)

### Who Qualifies? What is the EITC Worth?

- ◆ Workers with one qualifying child and adjusted gross income (AGI) of less than \$50,434 (or \$57,554 for married workers) in 2025 tax year can get an EITC, up to \$4,328.
- ◆ Workers with two qualifying children and AGI of less than \$57,310 (or \$64,430 for married workers) in 2025 tax year can get an EITC, up to \$7,152.
- ◆ Workers with three or more qualifying children and AGI of less than \$61,555 (or \$68,675 for married workers) in 2025 tax year can get an EITC, up to \$8,046.
- ◆ Even workers, who are at least age 25 but under age 65, who had no qualifying child and AGI below \$19,104 (or \$26,214 for married workers) in 2025, can get an EITC, up to \$649.

### Four Main Categories of Rules

- ◆ Rules For Everyone
  - Must have earned income and a valid Social Security number
  - Tax filing status cannot be “married, filing separately”
  - Must be a U.S. citizen or resident alien all year
  - Must not have foreign earned income; investment income must be \$11,600 or less
- ◆ Rules For Determining If There Is a Qualifying Child
  - Qualifying child must be a citizen and under age 19 or under age 24 and a full-time student at end of tax year, or any age if permanently and totally disabled
  - Qualifying child can be a son, daughter, stepson, stepdaughter, or descendant of any of them; or a brother, sister, stepbrother, stepsister, or a descendant of any of them, whom taxpayer cares for as own child; an eligible foster child; or an eligible adopted child
  - Cannot be the qualifying child of another person with a modified AGI
  - Person claiming the credit cannot be a qualifying child of another person

- ◆ Rules If There Are No Qualifying Children
  - Qualifying individual must be at least age 25 and under age 65 at the end of the tax year (generally December 31). If married, at least one spouse must meet age rule.
  - Cannot be the dependent or a qualifying child of another person
  - Must have lived in the U.S. for more than half of the year
  
- ◆ Rules For Computing and Claiming the Credit
  - Qualifying individual's income must meet certain criteria
  - Qualifying individual's modified AGI must meet certain criteria

### **The EITC is a Credit, Not a Deduction**

- ◆ As a credit, the tax savings are equal to the full value of the credit.
- ◆ If the credit exceeds the amount of taxes owed by the taxpayer, the individual will get a refund.  
**Example:** A married couple with children would ordinarily owe \$623 in taxes
  - \$230 withheld from their paychecks, meaning they would owe IRS \$393 upon filing a tax return.
  - If they qualify for EITC of \$1,850, will not owe any taxes and will qualify for a refund of \$1,457.

**Note:** If the \$1,850 had been a deduction, rather than a credit, it might only have reduced the taxes owed by \$185 (if we assume a 10 percent tax bracket).

### **NY State Earned Income Credit**

- ◆ Taxpayers who receive federal EITC may qualify for the New York State Earned Income Credit (EIC). The EIC is equal to 30% of the taxpayer's federal EITC reduced by any household credit allowances.
- ◆ Taxpayers may contact NYS Personal Income Tax Information Center at 518-457-5181 or visit [https://www.tax.ny.gov/pit/credits/earned\\_income\\_credit.htm](https://www.tax.ny.gov/pit/credits/earned_income_credit.htm) for further information.

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