

The Earned Income Tax Credit (EITC) in 2024



AccountingAidSociety

What is the Earned Income Tax Credit?

Earned Income Tax Credit (EITC) is a refundable tax credit awarded to workers and families with low-to-medium income.

Proposed by Senator Russell Long and signed into law by President Gerald Ford as part of the Tax Reduction Act of 1975 offsets taxes and, frequently, provides a wage supplement.

Historically the earned income tax credit (EITC) has been the largest U.S. poverty alleviation program for families with children.

Who Qualifies for the EITC?

To qualify for the EITC, filers must:

- Have worked and [earned income](#) **under \$63,398**
- Have **investment income below \$11,000** in the tax year 2023
- Have a [valid Social Security number](#) by the due date of your 2023 return (including extensions)
- Be a [U.S. citizen or a resident alien](#) all year
- Not file [Form 2555, Foreign Earned Income](#)
- Meet certain rules if you are separated from your spouse and not filing a joint tax return
- If you qualify for the EITC, you may also qualify for other tax credits.

[Child Tax Credit and the Credit for Other Dependents](#)

[Child and Dependent Care Credit](#)

[Education Credits](#)

Income Limits

If a tax filer qualifies for the credit, the amount of EITC will depend on the filing status, whether filer has a qualifying child*, and if so, how many, and the amount of your wages and income last year.

Children or Relatives Claimed	Maximum AGI (filing as Single, Head of Household, Widowed or Married Filing Separately)	Maximum AGI (filing as Married Filing Jointly)
Zero	\$17,640	\$24,210
One	\$46,560	\$53,120
Two	\$52,918	\$59,478
Three	\$56,838	\$63,398

*[To be a qualifying child, a person must satisfy four tests: Relationship, Residence, Age, Support](#)

Earned Income Tax Credit Eligibility

Income

- As little as \$1
- **Max income of \$63,398**, but this depends on number of dependents

Social Security Number

Taxpayer, and spouse (if applicable) must have a **Social Security Number**

Age (if you do not have a qualifying child)

25 or older, but not older than 65

Special rules:

- Married Filing Separately - If you did not live with your spouse during the last 6 months of the year or you must have a separation agreement/decreed; plus the qualifying child must have lived with you for more than half the year
- Filers with disability income
- Filers who have children with disabilities

What Do Filers Need to File a Tax Return?

- State ID, Social Security Card (for any person listed on the tax return) and direct deposit information
- Income documents (i.e. W2, 1099-NEC, SSA 1099, 1099-R, 1099-G)
 - Examples of proof for Earned income, retirement income, self-employment income and/or unemployment income
- Proof of expenses
 - College Tuition (1098-T), Dependent Care, Affordable Care Act (1095-A)
 - Homeowners should bring copy of property tax bills for 2023
 - Renters should have rental/lease agreement, rent receipts, landlord name/address and proof of tenant portion of rent

List of what to bring can be found on Accounting Aid Society's website
<https://www.accountingaidresources.org/what-to-bring>

Benefits of the EITC

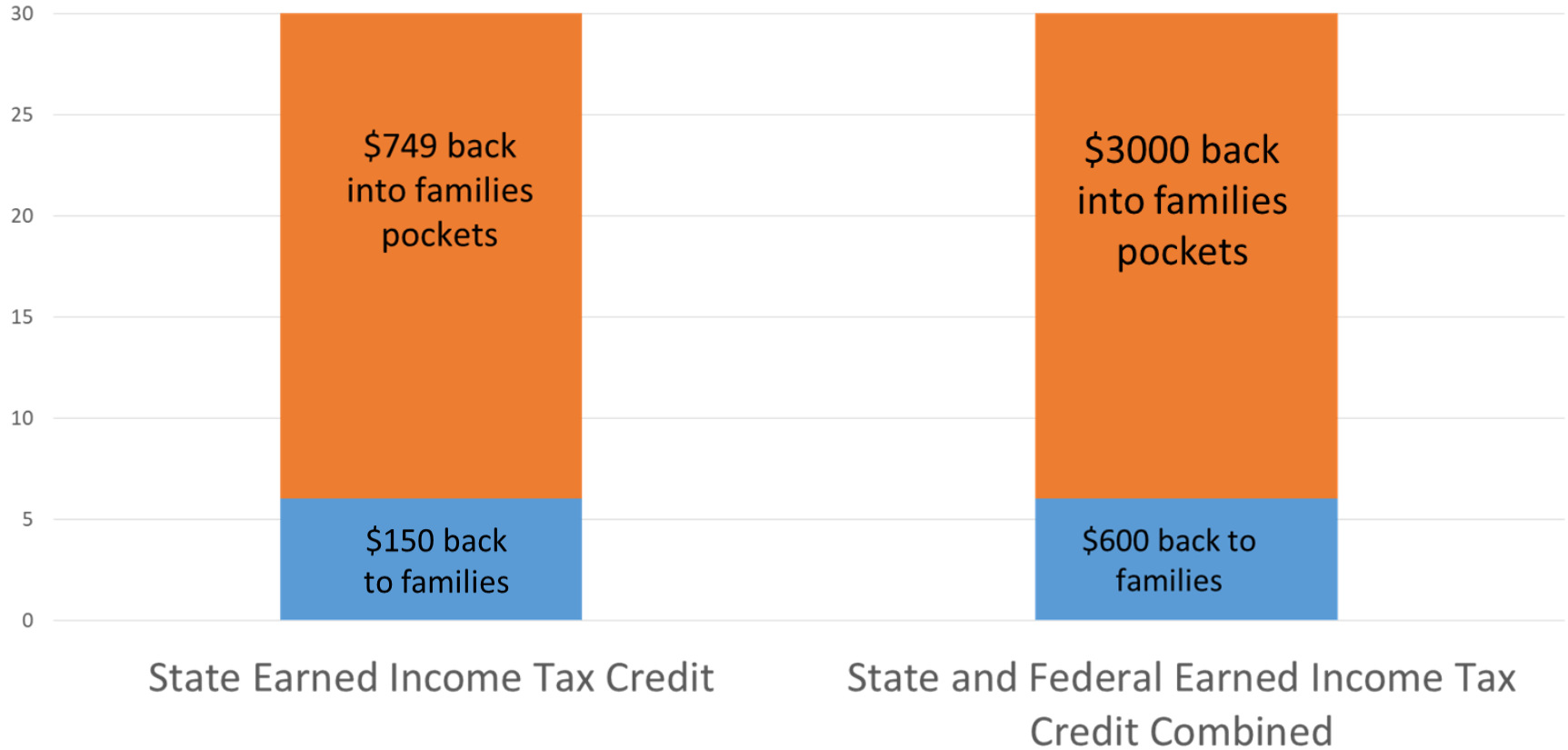
Increasing the Earned
Income Tax Credit
from 6% to 30% in
Michigan

● Pulls 22,000 Michiganders
out of working poverty

● Raises incomes
for 730,000
workers

● Benefits nearly 1
million kids (almost
half of all children
in Michigan)

Average Earned Income Tax Credit Amount Increase in Michigan



■ EITC at 6% ■ EITC at 30%

Michigan League for Public Policy, 2023

The 2022 Tax Season in Michigan



664,000 EITC claims



**Total of \$1.7 billion back into
the pockets of families**



Average family received \$2,587

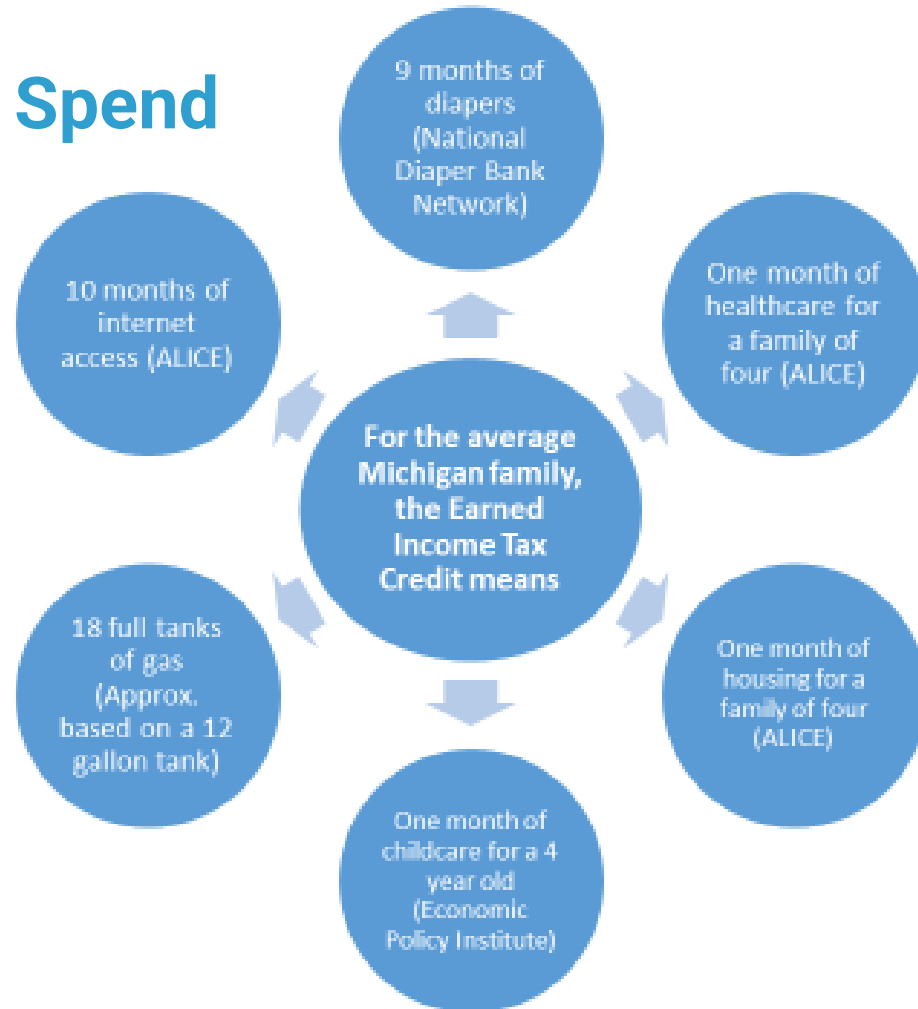
Research has shown the following benefits of receiving the EITC:

- Money in the pockets of families; empowering them to make their own financial decisions
- Immediate improvement to a child's well-being, plus positive long-term effects such as improved health and higher earnings in adulthood
- Increased school performance and higher college attendance rates
- Helps to reduce the severity of poverty



Families spend roughly half of their EITCs on items like groceries and child expenses. Families spend the other half paying off debts and building up assets through savings, education, and home repairs.

How Families Spend their Refunds



Who may be missing out on the EITC

- Millions of workers qualify for EITC for the first time this year, making awareness critical. Workers move into and out of the eligibility criteria. ***Here are some workers at risk for overlooking this important credit:***
 - Living in non-traditional homes such as a grandparent raising a grandchild
 - Whose earning declined or whose marital or parental status changed
 - Without Children
 - With limited English skills
 - Veterans
 - Living in rural areas
 - Who are Native Americans
 - With earnings below the filing requirements (\$13,850 for single filers & \$27,700 for married filing jointly)
 - Who have disabilities or are raising children with disabilities

FACTS vs. MYTHS

1. **Filers must have worked to file for the EITC.** The EITC is **NOT** a welfare system for those that don't work. The EITC is for workers only.
2. **Filers without children CAN qualify for the EITC.** The EITC is a function of filing status, income, and the number of children/dependents claimed. Childless filers may qualify depending on a number of criteria.
3. **Filers CANNOT qualify for the EITC if they are undocumented.** No matter what you've read on Facebook, illegal aliens are not entitled to refunds because of some tax policy involving ITINs.
4. **EITC refunds are NOT issued immediately.** Taxpayers who claim the EITC or Additional Child Tax Credit (ACTC) may have to wait a little longer for their tax refunds than taxpayers who do not claim EITC or ACTC. The IRS must wait until mid-February to begin issuing refunds to taxpayers who claim the EITC.
5. **The EITC is NOT automatically paid even if you don't file.** To qualify, you must meet specific requirements and file a federal income tax return for the tax year even if you do not owe any tax or are not required to file a tax return.
6. **Most improper EITC-related payments were the result of mistakes, not intentional actions. 70% of EITC improper payments (the big ones that get all of the press) are tied to confusion about the rules.** The most confusing? Residency and relationships, and other issues related to who can claim a child in non-traditional family arrangements.

Seek assistance from reputable tax preparers.

The rules for the EITC can be tricky to navigate. Special rules apply to members of the military, ministers, members of the clergy, those receiving disability benefits, and those impacted by disasters. Some age restrictions may also apply.

Closing Slide: How Can Eligible Taxpayers Access No-cost VITA Services?

- Get no-cost tax assistance from [Accounting Aid Society](#), available year-round
 - Visit our website to schedule an appointment online or call **313-556-1920**
 - Utilize our VITA ACE (Accessible Convenient Electronic) capability - tax filing over the phone. Filer must be able to create pdfs/digital files and download documents. 313-556-1920 and request VITA ACE.
 - Necesita asistencia en español? 313-556-1920 ext. 0005
 - In person locations <https://www.accountingaidresources.org/taxsitelocations>
- File their own taxes online through free IRS programs such as [IRS Free File](#).



Thank you for allowing this presentation

For more information on no-cost tax preparation visit:

accountingaid society.org

AccountingAidSociety

Citations

Michigan League for Public Policy. (2023). State Budget Priority: Strengthen Michigan's Earned Income Tax Credit. chrome-extension://efaidnbnmnnibpcajpcglclefindmkaj/<https://mlpp.org/wp-content/uploads/2022/02/2023-state-budget-priorities-eitc.pdf>

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Earned Income Tax Credits - Interventions Addressing the Social Determinants of Health
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