

# Advance Earned Income Tax Credit FACT SHEET

The Earned Income Tax Credit (EITC) is a refundable federal, New York State and New York City tax credit for people who work but don't earn a lot of money. The Advance Earned Income Tax Credit (AEITC) is a way for some workers raising children to take advantage of the EITC without having to wait to file their taxes. Workers who qualify can get part of their federal EITC in their paychecks throughout the year and the rest in a refund from the IRS after they file their federal tax return. The extra money can provide immediate benefits to help workers cover expenses such as utilities, food and child care, making it easier for working New Yorkers to keep working.

**Who can get the Advance EITC?** Workers raising at least one qualifying child who expect their income to be less than \$33,241 (combined income of \$35,241 if married) in 2007 may be able to receive AEITC payments. Workers who are not raising children cannot get the AEITC, but they may still qualify for the EITC when they file their taxes. Workers must also have a valid Social Security number that allows them to work, expect their 2007 investment income (for example, interest and dividends) to be less than \$2,900 and plan to claim the EITC on their 2007 tax return.

Workers who are self-employed, have more than one job, or whose employers do not withhold Social Security and Medicare taxes from their paycheck cannot take the AEITC. Workers who hold more than one job, plan to get married during the year, or expect their income to increase substantially should not choose advance payments.

**Which children qualify to be claimed for the Advance EITC?** To qualify, children must be 18 years of age and younger, or 23

years of age and younger if they are full-time students, by the end of 2007. Children of any age qualify if they are totally and permanently disabled. Children must live with the worker in the United States for more than half the year. Children who qualify for the AEITC include:

- Sons, daughters, stepchildren, adopted children and grandchildren;
- Brothers, sisters, stepbrothers, stepsisters and their descendants such as nieces and nephews; and
- Foster children if placed with the worker's family by an authorized government or private agency.

Children must be U.S. citizens or legal immigrants who have a valid Social Security number.

**How much is the Advance EITC worth to workers?** Advance payments depend on the total income a family expects to earn in 2007. If a worker is married, the amount of their advance payments also depends on whether their spouse has also filed for the AEITC. Workers can get up to about half of the federal EITC amount they are entitled to for the year. The actual amount that workers can get in advance depends on their wages. For example, workers making between \$6.00 and \$8.00 per hour can get an extra \$140 per month in their paychecks! Employers cannot give more than about \$1,700 throughout the year in AEITC

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# Advance Earned Income Tax Credit FACT SHEET continued...

payments. Workers claim the remainder of the federal credit when they file their taxes.

**Can immigrants receive the advance EITC?** U.S. citizens and legal immigrants who work and have valid Social Security numbers that permit them to work legally in the United States are able to get the AEITC as long as they meet the other eligibility requirements. All spouses and children listed on the tax return also must have valid Social Security numbers that permit them to work legally in the United States. Remember, immigrants who only have Individual Taxpayer Identification Numbers (ITIN) cannot get the AEITC. They can, however, still file taxes and may be able to get other tax credits.

**How do workers get Advance EITC payments?** Workers who think they are eligible for advance payments should complete the 2007 form W-5, Earned Income Credit Advance Payment Certificate, and give it to their employer. For married workers, both spouses should give a W-5 form to their employers. Workers can file a W-5 form at any time during the year, but must file a new W-5 at the beginning of each year to continue receiving advance payments.

If a worker's income increases above the EITC levels or something else changes that makes them no longer eligible for advance payments, they must fill out a new W-5 and give it to their employer so they can stop payments. Workers who hold more than one job, plan to get married during the year, or expect their income to increase substantially should not choose advance payments. Workers who are not eligible but receive advance payments or receive too much money may have to pay it back when they file their taxes.

**Does the Advance EITC affect public benefits?** Generally, the AEITC does not affect eligibility for benefits like TANF, the Food Stamp Program, SSI, Medicaid or public or subsidized housing. The EITC is not counted as income when determining eligibility for these programs, but it may be counted as a resource for some programs if it is not spent within a certain timeframe.

**How does the Advance EITC affect employers?** It doesn't! Providing the Advance EITC does not cost the employer anything! The employer makes the advance payments from total withholding taxes that they deposit with the IRS. And since the AEITC is not wages, employers don't withhold any income, Social Security or Medicare taxes from the payment. Most automated payroll systems know how to handle AEITC payments.

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