



ODEP

Office of Disability
Employment Policy

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INFO BRIEF

The Earned Income Tax Credit: Capitalizing on Tax Incentives

Working-age individuals with disabilities are three times more likely to live in poverty than their counterparts without disabilities. While employment is an important part of improving the economic status of individuals with disabilities, it is not always enough. The Earned Income Tax Credit (EITC) can provide further assistance on the road to economic independence.

The EITC, initiated in 1975, is a refundable tax credit for eligible low-income workers. Its purpose is to offset the burden of Social Security taxes and provide an incentive to work. When the EITC exceeds the amount of taxes owed, it results in a tax refund. However, many individuals eligible for the EITC are not aware of it. Single or married and full- or part-time workers may qualify, depending on their income.

The American Recovery and Reinvestment Act (ARRA) provides a temporary increase in the EITC for taxpayers with three or more qualifying children. It also increases the threshold for the EITC's phase-out range for all married couples filing jointly, regardless of the number of children. These changes apply for tax years 2009 and 2010.

For 2009, the maximum EITC is \$5,657 with three or more qualifying children; \$5,028 with two qualifying children; \$3,043 with one qualifying child; and \$457 with no qualifying child. The threshold amounts are \$13,440 (\$18,440 if married filing jointly) with no qualifying child; \$35,463 (\$40,463 if married filing jointly) with one qualifying child; \$40,295 (\$45,295 if married filing jointly) with two qualifying children; and \$43,279 (\$48,279 if married filing jointly) with three or more qualifying children.

To claim the EITC, a taxpayer must file a tax return with the Internal Revenue Service (IRS) through Form 1040, 1040A or 1040EZ. Taxpayers do not have to calculate their EITC; if they choose, the IRS will do it for them. The IRS also offers individuals receiving a refund through the EITC different options for using it to build savings and develop assets to advance self-sufficiency. Furthermore, individuals who can claim the EITC on their federal income tax returns may also qualify for a similar credit on their state or local tax return. A list of states offering a state-level EITC is available at www.irs.gov/eitc.

The EITC and Workers with Disabilities

To be eligible for the EITC, an individual must have earned income, also known as wages or salary. Most disability-related public benefits, such as Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI), are not considered earned income. Many individuals with disabilities between the ages of 25 and 64 who worked at least part time would qualify for the EITC. Also, if an individual with a disability received SSI or SSDI and did not work at all in the previous year but has a spouse who did, then they may qualify together.

Refunds received through the EITC and advance EITC payments are not considered income when determining eligibility for Medicaid and SSI, food stamps and low-income housing, or how much someone receives from these programs. However, eligibility may be affected if such funds are not spent within a certain period of time. Temporary Assistance for Needy Families (TANF) recipients may be affected; guidance on this can be obtained from individual states.

Eligible individuals with disabilities filing for the EITC for the first time may file retroactively for a three-year period.

Assistance with the EITC

Over the last five years, the IRS has been delivering financial education and tax preparation services at no cost to low-income individuals with disabilities through the Real Economic Income Tour (REIT). To find out more, visit www.reitour.org. Individuals with and without disabilities can also receive free tax preparation services at Volunteer Income Tax Assistance (VITA) sites in 100 cities nationwide.

To find out more, visit www.eitc.irs.gov or call 1-800-829-1040. Read the full document [“The Earned Income Tax Credit: Capitalizing on Tax Incentives”](#) on the website of the Office of Disability Employment Policy.