



Lesson Plan

Earned Income Credit (EIC)

Time Required: 1 hour

Introduction	Objectives	Topics
<p>This lesson covers the Earned Income Credit (EIC), which is based on the taxpayer's filing status, number of qualifying children, earned income, and adjusted gross income.</p> <p>Volunteers use the intake and interview sheet, the EIC charts in the Volunteer Resource Guide, and the EIC worksheets to compute the EIC.</p>	<p>Determine if a taxpayer is eligible for the EIC.</p> <p>Calculate the EIC.</p>	 <p>What is the EIC?</p> <p>Qualifying for the EIC</p> <p>Rules for taxpayers with qualifying children</p> <p>Rules for taxpayers without qualifying children</p> <p>Calculating the tax credit</p>

Key Terms

ATIN: Adoption Taxpayer Identification Number.

Earned Income: Any income received for work, such as wages or business income.

Earned Income Credit (EIC): A credit that can be paid to low-income workers, even if no income tax was withheld from the worker's pay. Taxpayers must file a tax return to receive the credit.

ITIN: Individual Taxpayer Identification Number.

Unearned Income: Income other than pay for work performed. Interest and dividends from savings or investments are common types of unearned income.

Refundable Credit: Occurs when the amount of a credit is greater than the tax owed. Even if taxpayers' tax liability is zero, they can receive a "refund" of excess credit.

Teacher Tips

Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	Review the online demo of TaxSlayer on EIC.	TaxSlayer® Demo: From the Practice Lab, select: <ul style="list-style-type: none"> • TaxSlayer IRS training • Click the appropriate demo.
Provide details and engage the students	<p>Discuss all tips and cautions in detail.</p> <p>Ask students to read and/or role-play examples and sample interviews.</p> <p>Review answers to each exercise; ask students how they arrived at their answers.</p>	<p>Internet: Link & Learn Taxes (L&LT) Earned Income Credit (EIC)</p>

Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	<p>Review lesson objectives.</p> <p>Ask students to define “refundable credit.”</p> <p>Emphasize that the EIC is a valuable credit for low-income families.</p> <p>Review list of references.</p> <p>State the presentation time.</p>	<p>Visuals: Form 1040 Form 13614-C Pub 4012, Tab I, Earned Income Credit, Tab D, Income, and Tab C, Dependents</p>

What is the EIC?	<p>Ask students to define the EIC, and explain its purpose.</p> <p>Ask students to explain earned income vs. unearned income.</p> <p>Point out the current tax year's maximum earned income credit for families with three or more children.</p> <p>Refer students to the Aspen Institute's EITC Platform website, tools and resources for volunteer tax preparers.</p>	<p>Visuals:</p> <p>Pub 4012, Tab I, Earned Income Credit:</p> <ul style="list-style-type: none">• Earned Income Table• Summary of EIC Eligibility Requirements• Schedule EIC <p>Pub 4012, Tab C, Dependents, Overview of the Rules for Claiming an Exemption for a Dependent</p> <p>Pub 596</p> <p>Internet:</p> <p>EITC Central</p>
Qualifying for the EIC	<p>State the three general sets of rules for claiming the EIC:</p> <ul style="list-style-type: none">• Rules for everyone• Rules for taxpayers with a qualifying child• Rules for taxpayers who do not have a qualifying child <p>Review Pub 4012, Summary of EIC Eligibility Requirements; focus on Part A and Part D.</p> <p>Review Pub 4012, Common EIC filing errors.</p> <p>Point out that ITINs and ATINs cannot be used when claiming the EIC.</p> <p>Emphasize that taxpayers must have a valid SSN by the due date of the return to claim the credit and they cannot retroactively file an amended return for any year in which they did not have a valid SSN by the due date of the return.</p> <p>Ask students to list types of earned income that qualifies for the EIC. Confirm answers with Earned Income Table.</p>	<p>Visuals:</p> <p>Form 13614-C, Page 1</p> <p>Pub 4012, Tab I, Earned Income Credit, and Tab D, Income:</p> <ul style="list-style-type: none">• Summary of EIC Eligibility Requirements• Common EIC Filing Errors• Earned Income Table• Disallowance of the Earned Income Credit• Form 1099-R <p>L&LT Earned Income Credit (EIC), case studies</p> <p>Internet:</p> <p>FAQs: Earned Income Tax Credit EITC Home Page</p> <p>EITC Income Limits, Maximum Credit Amounts and Tax Law Updates</p> <p>Earned Income Tax Credit (EITC) – Use the EITC Assistant to Find Out if You Should Claim it</p>

Remind students that both earned income and adjusted gross income must be below the limits in order for the taxpayer to qualify for the EIC.

Show Form 1099-R, Box 7. Point out that distribution code 3 indicates disability income.

Explain that nontaxable combat pay may be included as earned income for EIC purposes and reported on Form 1040.

Discuss disallowance of EIC.

Read and discuss the case studies from L< for this topic.

Rules for taxpayers with qualifying children

Review Pub 4012, Summary of EIC Eligibility Requirements; focus on Part B.

Review the EIC with a Qualifying Child chart in Pub 4012.

Read and discuss the case studies from L< for this topic, starting on slide 12.

Review the tip in Pub 4012, Qualifying Child of More than One Person.

Demo the Basic Information section; enter the dependent information, and check the box if the dependent is not eligible for EIC.

Visual:

[Pub 4012](#), Tab I, Earned Income Credit, and Tab D, Income:

- Summary of EIC Eligibility Requirements
- EIC with a Qualifying Child
- Qualifying Child of More than One Person

Internet:

FAQ: [Qualifying Child Rules](#)

TaxSlayer Demo:

[Entering Basic Credits](#)

Rules for taxpayers without qualifying children

Review Pub 4012, Summary of EIC Eligibility Requirements; focus on Part C.

Review the EIC without a Qualifying Child chart in Pub 4012.

Remind students to review page 1 of the intake and interview sheet: Can anyone claim you or your spouse on their tax return?

Clarify the age requirements for joint filers.

Visuals:

[Pub 4012](#), Tab I, Earned Income Credit:

- Summary of EIC Eligibility Requirements
- EIC without a Qualifying Child

[Form 13614-C](#), Page 1

Calculating the tax credit	<p>Remind students to review the question on page 2 of the intake and interview sheet asking if the taxpayer had EITC disallowed in a prior year?</p> <p>Ask students to find the EIC table in Publication 596 or in the Form 1040 Instructions.</p> <p>Give students examples and ask them to look up the correct amount on the EIC table.</p> <p>Explain how and when to use:</p> <ul style="list-style-type: none"> • Schedule EIC • Schedule EIC Worksheet <p>Read and discuss the case study in L&LT Earned Income Credit (EIC) for this topic.</p>	<p>Visuals: Form 13614-C, Page 2 Pub 4012, Tab C, Dependents; Tab I, Earned Income Credit, Disallowance of the Earned Income Credit Form 1040 Form 1040 Instructions, EIC Table Pub 596</p> <p>Internet: Tax Topic: Earned Income Credit</p>
Summary	<p>Review the lesson summary with the class.</p>	<p>Visuals: Pub 4491, Earned Income Credit (EIC), Summary</p>

References

Pub 4491	<p>Pub 4491, Earned Income Credit (EIC) chapter</p>
Form 1040	<p>Form 1040 Form 1040 Instructions Form 1040 Instructions, EIC Table</p>
Form 13614-C	<p>Form 13614-C, Intake/Interview & Quality Review Sheet</p>
Pub 4012	<p>Pub 4012, Volunteer Resource Guide, Tab I, Earned Income Credit, Tab D, Income, and Tab C, Dependents Earned Income Table Common EIC Filing Errors Summary of EIC Eligibility Requirements Disallowance of the Earned Income Credit EIC General Eligibility Rules EIC with a Qualifying Child EIC without a Qualifying Child Qualifying Child of More than One Person Form 1099-R</p>



Job Aids

ITA and FAQs for Lesson

Tax Trails	Earned Income Tax Credit (EITC) – Use the EITC Assistant to Find Out if You Should Claim it http://www.irs.gov/Individuals/Earned-Income-Tax-Credit-(EITC)-%e2%80%93--Use-the-EITC-Assistant-to-Find-Out-if-You-Should-Claim-it
FAQs	Earned Income Tax Credit, Qualifying Child Rules https://www.irs.gov/faqs/earned-income-tax-credit
Tax Topics	Earned Income Credit http://www.irs.gov/taxtopics/tc601.html
Other	EITC Home Page http://www.irs.gov/eitc EITC Income Limits, Maximum Credit Amounts and Tax Law Updates https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/eitc-income-limits-maximum-credit-amounts EITC Central http://www.eitc.irs.gov/



Practice Lab

Practice Lab	https://vita.taxslayerpro.com/IRSTraining
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