



**Payroll Services
Earned Income Credit 2021**

The earned income credit (EIC) is a tax credit for certain people who work and have earned income under \$57,414. A tax credit usually means more money in your pocket. It reduces the amount of tax you owe. The EIC may also give you a refund.

After 2010, you can no longer get advance payments of the credit in your pay during the year as you could in 2010 and earlier years. This is because the law has changed. However, if you are eligible, you will still be able to claim the credit on your 2020 return.

EIC is a refundable tax credit meaning you could qualify for a tax refund even if you did not have federal income tax withheld. To claim the EIC, you must meet certain rules. These rules are summarized in Table 1.

***Effective in 2017, if you claim the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC) on your tax return, the IRS must hold your refund until at least February 15- even the portion not associated with EITC or ACTC.**

Earned Income Credit in a Nutshell for 2021:

First, you must meet all the rules in these columns.		Second, you must meet all the rules in one of these columns, whichever applies.		Third, you must meet the rule in this column.
Chapter 1. Rules for Everyone		Chapter 2. Rules If You Have a Qualifying Child	Chapter 3. Rules If You Do Not Have a Qualifying Child	Chapter 4. Figuring and Claiming the EIC
<p>1. Your adjusted gross income (AGI) must be less than:</p> <ul style="list-style-type: none"> • \$51,464 (\$57,414 for married filing jointly) if you have three or more qualifying children, • \$47,915 (\$53,865 for married filing jointly) if you have two qualifying children, • \$42,158 (\$48,108 for married filing jointly) if you have one qualifying child, or • \$15,980 (\$21,920 for married filing jointly) if you do not have a qualifying child. 	<p>2. You must have a valid Social Security Number.</p> <p>3. Have earned income from employment, self-employment or another source.</p> <p>4. Cannot use the married, filing separate filing status.</p> <p>5. You must be a U.S. citizen or resident alien all year, or a nonresident alien married to a U.S. citizen or resident alien and choose to file a joint return.</p> <p>6. Cannot be the qualifying child of another person.</p> <p>7. You cannot file Form 2555 or Form 2555-EZ (relating to foreign earned income).</p> <p>8. Your investment income must be \$3,650 or less.</p>	<p>9. Your child must have a valid Social Security Number and meet the relationship, age, residency, and joint return tests.</p> <p>10. Your qualifying child cannot be used by more than one person to claim the EIC.</p>	<p>11. You must have lived in the United States more than half of the year. (Special rules for military personnel.)</p> <p>12. You must be at least age 25 but under age 65.</p> <p>13. You cannot be the dependent of another person.</p>	<p>14. Your earned income must be less than:</p> <ul style="list-style-type: none"> • \$51,464 (\$57,414 for married filing jointly) if you have three or more qualifying children, • \$47,915 (\$53,865 for married filing jointly) if you have two qualifying children, • \$42,158 (\$48,108 for married filing jointly) if you have one qualifying child, or • \$15,980 (\$21,920 for married filing jointly) if you do not have a qualifying child.

Tax Year 2021 maximum credit:

- \$6,728 with three or more qualifying children
- \$5,980 with two qualifying children
- \$3,618 with one qualifying child
- \$543 with no qualifying children

For more information or to see if you qualify, go to www.irs.gov/eitc or call 1-800-829-3676 and request Publication 596, Earned Income Credit.