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We provide a prompt, professional, personal one-on-one tax preparation service from the comfort of your home or office. We are competitively priced; in addition, we offer a number of additional services as well as comprehensive information from our web site – <http://www.taxlogic.com>.

We are continuing our discussion of credits that are available.

Earned Income Credit (EIC)

What is the EIC? The EIC is a refundable Federal income tax credit for low-income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes and to provide an incentive to work.

EIC has become one of the most abused tax credits and constitutes a majority of the fraud cases; therefore, stringent tax laws pertaining to the credit have been instituted. If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. You may also have to pay penalties.

Income and family size determine the amount of the Earned Income Tax Credit. To qualify for the credit, both the earned income and the modified adjusted gross income for 2001 must be less than \$28,250 for a taxpayer with one qualifying child, \$32,121 for a taxpayer with more than one qualifying child, and \$10,700 for a taxpayer with no qualifying children.

You may not take the EIC if your filing status is married filing separately; you are filing Form 2555, relating to foreign earned income or your investment income is more than \$2,450.

A qualifying child is a child who is your son, daughter, adopted child, grandchild, stepchild or foster child, and was at the end of 2001, under age 19 or under age 24 and a student, or any age and permanently and totally disabled. A foster child is any child you cared for as your own child and who is (a) your brother, sister, stepbrother or stepsister (b) a descendant such as a child, including an adopted child of your brother sister, stepbrother, or stepsister or (c) a child placed with you by an authorized placement agency. The qualified child must have lived with you in the United States for more than half of 2001 or if a foster child, for all of 2001.

For those filing for EITC with a qualifying child, you must fill out Schedule EIC and attach to your 1040 return. Last but not least, to be eligible for the EITC the primary taxpayer, the secondary taxpayer, and any EITC qualifying child(ren) each must have a valid SSN that was not obtained so that the individual could receive a federally funded benefit, such as food stamps. Indeed, it is a complicated topic for even us, **the tax professional**, so for more information visit our web site at <http://www.taxlogic.com>.

Credit for Elderly or the Disabled

You may be able to take this credit if by the end of 2001 if (a) you were age 65 or older or (b) you retired on permanent and total disability and you had taxable disability income. But you usually cannot take the credit if the amount of Form 1040, line 34, is \$17,500 or more (\$20,000 if married filing jointly and only one spouse is eligible for the credit; \$25,000 if married filing jointly and both spouses are eligible; \$12,500 if married filing separately). See Schedule R and its instructions for details.

Miscellaneous Credits

There are several other credits such as the General Business Credit, which is usually claimed on Form 3800. You must attach form 8863 for the education credit; Form 8839 for the adoption credit; Form 8801 for credit for prior year minimum tax; Form 8812 for the additional child credit and Form 8396 to qualify for mortgage interest credit. For more information please ask questions through our web site at <http://www.taxlogic.com>.

Hoping you have a merry and most joyful holiday season. We would be happy to give you more information on the different types of Credits and help you to understand the financial issues that affect you at our site <http://www.taxlogic.com>.