



Department of the Treasury
Internal Revenue Service

Notice 797

(Rev. October 2000)

Possible Federal Tax Refund Due to the Earned Income Credit (EIC)

What Is the EIC?

The EIC is a refundable tax credit for certain workers.

Changes to note. Beginning in 2000, new rules apply to determine who is a foster child. See **Foster child** on the back of this notice for details.

Also, you **cannot** claim the EIC if your 2000 investment income (such as interest and dividends) is over \$2,400. See your 2000 income tax return instructions for more details.

Who May Claim the EIC

You may be able to claim the EIC for 2000 if you worked and **all three** of the following conditions apply. But you **cannot** claim the EIC if you file either **Form 2555** or **Form 2555-EZ** (relating to foreign earned income). You also **cannot** claim the EIC if you are a nonresident alien for any part of 2000 unless you are married to a U.S. citizen or resident and elect to be taxed as a resident alien for the entire year.

1. Your 2000 earned income and modified AGI (adjusted gross income) are both under \$27,413 if you have one qualifying child; under \$31,152 if you have more than one qualifying child; under \$10,380 if you do not have a qualifying child.

Note: *Earned income for this purpose does not include amounts paid to inmates in penal institutions for their work. For most people, modified AGI is the total of adjusted gross income plus any tax-exempt interest. But see the 2000 revision of Pub. 596, Earned Income Credit, to figure your modified AGI if you received a distribution from a pension, annuity, or IRA that is not fully taxable; or you file Form 1040. To find out who is a **qualifying child**, see the back of this notice.*

2. Your filing status is any status **except** married filing a separate return.

3. You, and your spouse if filing a joint return, were not a qualifying child of another person.

If you **do not** have a qualifying child, you must also meet these conditions.

- You, or your spouse if filing a joint return, were at least age 25 but under age 65 at the end of 2000.

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- You, and your spouse if filing a joint return, cannot be claimed as a dependent on someone else's 2000 tax return.
- Your home, and your spouse's if filing a joint return, was in the United States for over half of 2000.

Note: *If you are in the military on extended active duty outside the United States, your home is considered to be in the United States during that duty period and you may be able to claim the EIC.*

More information? See the 2000 instructions for Form 1040, 1040A, or 1040EZ, and Pub. 596. You can get these items from IRS offices, by calling 1-800-829-3676, or from the IRS Web Site at www.irs.gov.

Who Is a Qualifying Child

Any child who meets **all three** of the following conditions is a **qualifying child**.

1. The child is your son, daughter, adopted child, grandchild, stepchild, or foster child (defined below). A child who is married at the end of 2000 generally must be claimed as your dependent to be a qualifying child.
2. The child was under age 19 at the end of 2000, or under age 24 at the end of 2000 and a full-time student, or any age at the end of 2000 and permanently and totally disabled.
3. The child lived with you in the United States for over half of 2000 or, if a foster child, for all of 2000. If the child did not live with you for the required time because the child was born or died in 2000, the child is considered to have lived with you for all of 2000 if your home was the child's home for the entire time he or she was alive in 2000.

Foster child. Any child you cared for as your own child **and** who is (1) your brother, sister, stepbrother, or stepsister; (2) a descendent (such as a child, including an adopted child) of your brother, sister, stepbrother, or stepsister; **or** (3) a child placed with you by an authorized placement agency.

How To Claim the EIC

If you are eligible, claim the EIC on your 2000 tax return. If you have a qualifying child, you must also fill in **Schedule EIC** and attach it to your return.

If eligible, you can claim the EIC to get a refund even if you have no tax withheld from your pay or owe no tax. For example, if you had no tax withheld in 2000 and owe no tax but are eligible for a credit of \$797, you **must file a 2000 return** to get the \$797 refund.

EIC with your pay. If you expect to have a qualifying child and be eligible to claim the EIC for 2001, you may be able to get part of it in advance with your pay. For details, get **Form W-5**, Earned Income Credit Advance Payment Certificate, from your employer, by calling the IRS at 1-800-829-3676, or from the IRS Web Site at www.irs.gov. If you get the EIC with your pay, you must file a 2001 tax return.

Notice 797

(Rev. 10-2000)

