

INFORMATION ON NEW YORK'S EARNED INCOME CREDITS

For tax year 2006



The information presented is current as of this publication's print date. Visit our Web site at www.nystax.gov for up-to-date information.

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Table of Contents	Page
General information	5
New noncustodial parent New York State earned income credit (noncustodial EIC).....	5
Federal earned income credit	5
What is the federal earned income credit?.....	5
Do I qualify for the federal earned income credit?.....	5
How do I claim the federal credit?	6
How can I receive federal earned income credit assistance?.....	7
New York State earned income credit	7
What is the New York State earned income credit?	7
Do I qualify for the New York State earned income credit?	7
How do I claim the New York State credit?.....	8
How can I receive New York State earned income assistance?	8
New York City earned income credit	8
What is the New York City earned income credit?	8
Do I qualify for the New York City earned income credit?	8
How do I claim the New York City earned income credit?	8
How can I receive New York City earned income credit assistance?	9
Noncustodial parent New York State earned income credit (noncustodial EIC)	9
What is the noncustodial EIC?	9
Do I qualify for the noncustodial EIC?	9
What if I am eligible for both the noncustodial EIC and the New York State earned income credit?.....	10
How do I claim the noncustodial EIC?.....	10
How can I receive noncustodial EIC assistance?	10

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General information

New York State, New York City and the federal government offer earned income credits to low income workers that can total as much as \$6,123.60 for tax year 2006.

Even if you did not earn enough to owe any taxes, you can still receive a check from both the Internal Revenue Service (IRS) and the New York State Tax Department if you are eligible for the earned income credit.

New noncustodial parent New York State earned income credit (noncustodial EIC)

For taxable years beginning on or after January 1, 2006, and before January 1, 2013, a new noncustodial parent New York State earned income credit may be available to a full-year resident individual who has attained the age of 18, is a parent of a minor child (or children) who does not reside with the individual, has an order requiring the individual to make child support payments that are payable through a support collection unit, and has paid an amount of child support due during the tax year for every order that requires the individual to make support payments.

Federal earned income credit

What is the federal earned income credit?

The earned income credit is a special income tax credit to help you offset increases in living expenses and social security taxes. The credit reduces taxes you owe, or provides you with a refund even if you do not owe any tax. The federal credit can be as much as \$412 if you do not have a qualifying child. If you have one qualifying child, the credit can be as much as \$2,747. If you have more than one qualifying child, the credit can be as much as \$4,536.

Do I qualify for the federal earned income credit?

You qualify for the federal earned income credit if you meet the following conditions:

- You must have worked and earned some income during tax year 2006.
- Your earned income and your federal adjusted gross income must each be less than \$36,348 (\$38,348 if married filing jointly) if you are a worker with two or more qualifying children; \$32,001 (\$34,001 if married filing jointly) if you have one qualifying child; or \$12,120 (\$14,120 if married filing jointly) if you do not have a qualifying child and you are at least age 25 but under age 65 at the close of the tax year.

A qualifying child is one who:

- is your son, daughter, stepchild, or a descendant of any of them, or;
 - is your brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (your niece or nephew); or
 - is an eligible foster child (any child placed with you by an authorized placement agency, or by judgement, decree, or other order of any court of competent jurisdiction); and
 - has lived with you in the U.S. for more than half the year in 2006. Other qualifying children include those who were born or died in 2006, if your home was the child's home while he or she was alive; and
 - is under the age of 19, or a full-time student under the age of 24 (at the end of 2006), or is any age and permanently and totally disabled.
- You are not a qualifying child of another person in 2006.
 - Your *investment income* is no more than \$2,800. For most people, *investment income* is the total amount of:
 - taxable interest,
 - tax-exempt interest,
 - ordinary dividends income,
 - capital gain net income, plus
 - certain nonbusiness rents and royalties.
 - Your principal home must be in the United States. Military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period for purposes of the EIC.
 - Your federal filing status cannot be *married filing separately*.
 - Your tax return must cover a full 12 months.

How do I claim the federal credit?

You must file a federal income tax return to get the earned income credit, even if you would not otherwise have to file a return. If you qualify for the earned income credit it will reduce the amount of income tax you owe or increase your tax refund.

If you are eligible to take the credit because you have a qualifying child or children, you must complete federal Schedule EIC, *Earned Income Credit*, and attach it to your federal Form 1040 or Form 1040A. Schedule EIC is not required when you claim the earned income credit under the rules for taxpayers without a qualifying child. For more information, see your federal instructions. If you are eligible to get advance earned income credit payments, fill out and return a Form W-5, *Earned Income Credit Advance Payment Certificate*, to your employer.

How can I receive federal earned income credit assistance?

- The IRS offers a free brochure that provides details about how to obtain the earned income credit. You can get a copy of the brochure, Publication 596, *Earned Income Credit (EIC)*, and other forms and instructions by calling toll free 1 800 829-3676.
- You can also call toll free 1 800 829-1040 to ask questions about the earned income credit and other tax issues. Assistance is available 24 hours a day, seven days a week during filing season.
- For forms and information see the IRS Web site at www.irs.gov
- During filing season, January 1 through April 15, the IRS offers free tax help. Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites are located at many schools, public libraries, community centers, and churches.

After February 1, call 1 800 829-1040 to find the VITA/TCE assistance site closest to you.

New York State earned income credit

What is the New York State earned income credit?

If you qualify, the New York State credit is 30% of the federal credit. However, the New York State earned income credit must be reduced by the amount of any household credit you are allowed.

If you are a New York State resident or part-year resident, the credit will reduce the amount of tax you owe or increase your refund. If you are a New York State nonresident, you may use the credit only to reduce the tax you owe. You cannot receive a refund of the credit.

Do I qualify for the New York State earned income credit?

To qualify for the New York State credit:

- You must have claimed the federal earned income credit for tax year 2006.

- You must file a New York State income tax return to get the state earned income credit, even if you would not otherwise have to file a return.

How do I claim the New York State credit?

Complete New York State's Form IT-215, *Claim for Earned Income Credit*, and attach it to your state income tax return.

More detailed information on Form IT-215 and how to file for the credit will be included in all New York State income tax packets. If you do not receive Form IT-215, see *Need help?* on the back cover of this publication.

How can I receive New York State earned income credit assistance?

If you need assistance or forms and instructions for the New York State earned income credit, see *Need help?* on the back cover of this publication.

New York City earned income credit

What is the New York City earned income credit?

If you qualify, the New York City credit is 5% of the federal credit. The credit will reduce the amount of city tax you owe or increase your refund. Only New York City full-year residents and part-year residents may claim a New York City earned income credit (for part-year city residents, the amount of the credit is subject to proration). This credit is in addition to the New York State earned income credit.

Do I qualify for the New York City earned income credit?

To qualify for the New York City earned income credit:

- You must have been a full-year or part-year resident of New York City for 2006.
- You must have claimed the federal earned income credit for 2006.
- You must file (or have filed) a New York State income tax return for 2006, even if you would not otherwise have to file a return.

How do I claim the New York City earned income credit?

Complete Form IT-215, *Claim for Earned Income Credit*, using the information from your federal return, worksheets, and if applicable, the federal return's federal earned income credit line instructions. You must also complete *Worksheet C, New York City earned income credit*, in the instructions for Form IT-215. Attach Form IT-215 to your New York State income tax return.

Note: Because of the different methods in computing the New York State and New York City earned income credits, if you qualify for the New York City earned income credit you may end up with a New York City earned income credit amount even if you do not end up with a New York State earned income credit amount (i.e., the New York State earned income credit is reduced by the amount of the New York State household credit but the New York City earned income credit is **not** reduced by the amount of the New York City household credit).

How can I receive New York City earned income credit assistance?

If you need assistance or forms and instructions for the city of New York earned income credit, see *Need help?* on the back cover of this publication.

Noncustodial parent New York State earned income credit (noncustodial EIC)

What is the noncustodial EIC?

The noncustodial EIC is a credit that may be claimed by eligible taxpayers instead of the New York State earned income credit (NYS EIC). The credit is available for tax years beginning on or after January 1, 2006, and before January 1, 2013.

The amount of credit is equal to the greater of:

- 20% of the federal EIC that would have been allowed if the noncustodial child met the definition of a qualifying child, computed as if you had one qualifying child and without the benefit of the joint return phaseout amount (even if your filing status is *Married filing joint return*); **or**
- 2.5 times the federal EIC that would have been allowed if you had satisfied the eligibility requirements, computed as if you had no qualifying children.

If the amount of credit is greater than your tax liability, the excess may be refunded without interest.

Do I qualify for the noncustodial EIC?

To qualify for the noncustodial EIC you must meet **all** of the following conditions for tax year 2006:

- You must be a full-year New York State resident.

- You must be at least 18 years of age.
- You must be a parent of a minor child (or children) with whom you **do not** reside.
- You must have an order in effect for at least one-half of the tax year requiring you to make child support payments payable through a Support Collection Unit (SCU) pursuant to Social Services Law section 111(h).
- You must have paid an amount in child support in 2006 at least equal to the amount of current child support you were required to pay by all court orders.

New York State will not allow a claim for the noncustodial EIC unless the Tax Department has received verification of eligibility from the Office of Temporary and Disability Assistance (OTDA).

The Tax Department receives this information automatically. The eligibility verification requires no action on your part.

What if I am eligible for both the noncustodial EIC and the New York State earned income credit?

If you are eligible for the noncustodial EIC and the New York State earned income credit for 2006, complete New York State's Form IT-209, *Claim for Noncustodial Parent New York State Earned Income Credit*, to determine which credit offers you a greater benefit. You **cannot** claim both the noncustodial EIC and the New York State earned income credit.

How do I claim the noncustodial EIC?

Complete New York State's Form IT-209, *Claim for Noncustodial Parent New York State Earned Income Credit*, and attach it to your New York State income tax return.

How can I receive noncustodial EIC assistance?

If you need assistance or forms and instructions for the noncustodial EIC, see *Need help?* on the back cover of this publication.

Electronic Services

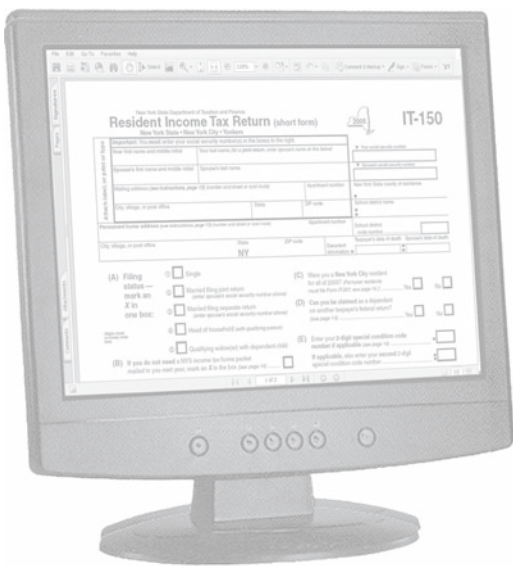
The NYS Department of Taxation and Finance is continuing its efforts to provide our customers – the citizens and businesses of this state – with world-class service. We are using the latest technology to develop innovative ways to better serve you. Many of these initiatives are available on the Department's Web site at

www.nystax.gov



Services currently available include . . .

- Visit our Taxpayer Answer Center to find answers to frequently asked tax questions.
- Determine if you are eligible for free e-filing with FreeFile.
- Learn how to e-file, the fastest and most accurate way to file your return.
- Apply for an automatic six-month extension of time to file your return.
- Make estimated tax payments, check your balance, and reconcile your estimated tax account balance.



- Check the status of your current year income tax refund.
- Pay your income taxes by credit card and electronic funds withdrawal.
- Use the penalty and interest calculator.
- View and pay open assessments.
- Check out our available online services for businesses.
- Sign up for our free e-mail Subscription Service to receive notification of Tax Department updates and technical guidance.

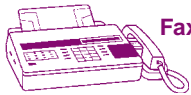
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Need help?



Internet access: www.nystax.gov

Access our Answer Center for answers to frequently asked questions; check your refund status; check your estimated tax account; download forms, publications; get tax updates and other information.



Fax-on-demand forms: Forms are available 24 hours a day, 7 days a week.

1 800 748-3676



Telephone assistance is available from 8:00 A.M. to 5:00 P.M. (eastern time), Monday through Friday.

Refund status: 1 800 443-3200

(Automated service for refund status is available 24 hours a day, 7 days a week.)

To order forms and publications: 1 800 462-8100

Personal Income Tax Information Center: 1 800 225-5829

From areas outside the U.S. and outside Canada: (518) 485-6800



Hotline for the hearing and speech impaired: If you have access to a telecommunications device for the deaf (TDD), contact us at 1 800 634-2110. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.



Persons with disabilities: In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call 1 800 225-5829.