

Are you taking advantage of the Earned Income Tax Credit?

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Once again, the April 15 tax deadline is fast approaching. Utilizing all available tax deductions and credits can add up to big savings.

Government studies indicate that millions of Americans fail to claim billions of dollars in tax credits every year. One of the most overlooked credits is the Earned Income Tax Credit. It is estimated that nearly 70 percent of Oklahomans who are eligible to receive the Earned Income Credit do not even apply for it.

A tax credit reduces your tax obligation dollar-for-dollar. If your tax credit is \$1,000 and your tax obligation is \$1,000, you will owe nothing. However, the Earned Income Tax Credit goes further. If the Earned Income Credit is greater than your tax obligation then you will receive the additional amount as a refund.

The Earned Income Credit is provided to qualifying individuals based on their earned income and the number of children in the household. For the 2004 tax year, the maximum Earned Income Credit is \$4,300.

To be eligible for this refundable federal tax credit, you must file a tax return, and you must have earned some income but not more than;

- \$34,458 if there is more than one qualifying child (\$35,458 if married filing jointly), or
- \$30,338 if there is one qualifying child (\$31,338 if married filing jointly), or
- \$11,490 if there is no qualifying child (\$12,490 if married filing jointly).

This year, the Internal Revenue Service has created a convenient online questionnaire to help individuals determine if they are eligible for this important benefit. The IRS has online tools to assist taxpayers in determining their correct filing status, whether children meet the tests for a qualifying child, and estimate the amount of credit that may be received.

Additionally, if you are paying off student loans, don't forget to check out the available tax deductions. According to the IRS, you can deduct up to \$2,500 for interest paid in 2004 on qualified federal student loans. This deduction can be taken in combination with any other deduction such as the lifetime learning credit or the tuition-and-fees tax deduction.

To access the Earned Income Tax Credit Assistant, visit www.irs.gov/eitc. For additional information about student loan deductions, visit www.irs.gov and enter a search for “IRS publication 970” or “Tax Benefits for Education.”