

Attach only if claiming this credit

Enter your first name, middle initial and last name and spouses full name if filing a joint return ^A Your Social Security Number

--	--	--	--	--	--	--	--	--	--

Section A: Figure your Total Federal Income

Enter the "total income" before federal deductions (e.g. IRA deduction, student loan deduction, etc.) from your federal Form 1040, Form 1040A, or Form 1040EZ (if less than zero, enter zero) A1 \$ _____

Is the line A1 amount less than \$12,000? Yes, Continue to Section B. No, **STOP**. You do not get this credit.

Section B: Qualifying Child (Read the instructions to explain the terms used below.)

<p>Enter each child's name here</p> <p>Enter each child's Social Security Number </p>	1 First _____ Last _____ SSN _____	2 First _____ Last _____ SSN _____	3 First _____ Last _____ SSN _____	4 First _____ Last _____ SSN _____
	-	-	-	-

Check only one box in each section for each child listed.

B-1	Your child	a <input type="checkbox"/>	a <input type="checkbox"/>	a <input type="checkbox"/>	a <input type="checkbox"/>
	Adopted child	b <input type="checkbox"/>	b <input type="checkbox"/>	b <input type="checkbox"/>	b <input type="checkbox"/>
	Grandchild	c <input type="checkbox"/>	c <input type="checkbox"/>	c <input type="checkbox"/>	c <input type="checkbox"/>
	Stepchild	d <input type="checkbox"/>	d <input type="checkbox"/>	d <input type="checkbox"/>	d <input type="checkbox"/>
	Foster child, (not related)	e <input type="checkbox"/>	e <input type="checkbox"/>	e <input type="checkbox"/>	e <input type="checkbox"/>
	Other (related foster child, or other related child - see instructions)	f <input type="checkbox"/>	f <input type="checkbox"/>	f <input type="checkbox"/>	f <input type="checkbox"/>
B-2	Under age 18	g <input type="checkbox"/>	g <input type="checkbox"/>	g <input type="checkbox"/>	g <input type="checkbox"/>
	Age 18	h <input type="checkbox"/>	h <input type="checkbox"/>	h <input type="checkbox"/>	h <input type="checkbox"/>
	Age 19 - 24 and a full-time student	i <input type="checkbox"/>	i <input type="checkbox"/>	i <input type="checkbox"/>	i <input type="checkbox"/>
	Age 19 or older and totally disabled	j <input type="checkbox"/>	j <input type="checkbox"/>	j <input type="checkbox"/>	j <input type="checkbox"/>
B-3	Child lived with you at least 1/2 of the year (If not, see below)	k <input type="checkbox"/>	k <input type="checkbox"/>	k <input type="checkbox"/>	k <input type="checkbox"/>
	Child was born or died in 2002, and lived with you while alive in 2002.	l <input type="checkbox"/>	l <input type="checkbox"/>	l <input type="checkbox"/>	l <input type="checkbox"/>

You must have a qualifying child to continue to Section C. A child qualifies only if a box is checked in Sections B-1, B-2 and B-3.

If you do not have a qualifying child, **STOP**. You do not get this credit. (Attach a separate sheet of paper to list additional children.)

Section C: Figure your Earned Income

Before you begin: If you were a household employee and received a W-2 for less than \$1,300 in 2002 or were a minister or member of a religious order, see Special Rules in the booklet or on the back of this schedule before completing this section. Also see Special Rules if your federal adjusted gross income includes workfare payments or any amount paid to an inmate in a penal institution.

Enter your (and spouses if filing joint) wages, salary, tips and other compensation from federal Form 1040, 1040A, or Form 1040EZ C1 \$ _____

If you were self-employed, complete the worksheet on the back and enter the amount from line 4 C2 \$ _____

Add lines C1 and C2 and enter here (if this is a loss, **STOP**. You do not get this credit) C3 \$ _____

Enter amount from Section A line A1 above \$ _____ Multiply by 80% (.80) and enter here C4 \$ _____

Is the amount on line C3 equal to or greater than the amount on line C4?

No, **STOP**. You do not get this credit. Yes, **Continue to Section D on the back to figure your credit.**

Section D: Figure your Credit

Maximum allowable amount	D1 \$	12,000
Enter your total federal income from Section A line A1	D2 \$ -	_____
Subtract line D2 from line D1 and enter the difference here	D3 \$	_____
Multiply line D3 by 3.4% (.034). This is your credit (if less than zero, enter zero.) Enter here and on Form IT-40 line 23 or on Form IT-40PNR line 21. NOTE: You must attach this schedule to your tax return to receive the credit	Indiana's Earned Income Credit ➤ D4 \$	<input type="text"/>

Worksheet: Complete only if you were self-employed

If filing a joint return and your spouse was also self-employed or reported income and expenses on federal Schedule C or C-EZ as a statutory employee, combine your spouse's amounts with yours to figure the amounts to enter below.

1. If you are filing federal Schedule SE:	
a. Enter any net farm profit or (loss) reported from federal Schedule F, and net earnings (loss) from self-employment from farm partnership, Schedule K-1 (Form 1065), that are reported on federal Schedule SE, Sections A or B	1a _____
b. Enter any amount of net self-employment income or (loss) (other than farming) reported from federal Schedule(s) C/C-EZ, and net self-employment earnings or (loss) (other than farming) from partnership K-1(Form 1065) and Schedule K-1 (Form 1065-B) that are reported on federal Schedule SE, Sections A or B	1b _____
c. If you elected one or both of the optional methods on federal Schedule SE, enter the total of the farm optional method (after limitation) plus the nonfarm optional method (after limitation)	1c _____
d. Add lines 1a, 1b and 1c	1d _____
e. Enter the amount of self-employment tax shown as an adjustment on the front of your federal Form 1040	1e _____
f. Subtract line 1e from line 1d	1f _____
2. If you are NOT required to file federal Schedule SE (for example, because your net earnings from self-employment were less than \$400), complete lines 2a through 2c. But do not include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of federal Form 4029 or federal Form 4361 .	
a. Enter any net farm profit or (loss) from federal Schedule F, and net earnings or (loss) from self-employment from farm partnership, Schedule K-1 (Form 1065)	2a _____
b. Enter any net profit or (loss) from federal Schedules C and C-EZ, net earnings (loss) from self-employment from federal Schedule K-1 (Form 1065) (other than farming), and net earnings (loss) from federal Schedule K-1 (Form 1065-B) (other than farming)	2b _____
c. Add lines 2a and 2b. Enter the total even if a loss	2c _____
3. If you are filing federal Schedule C or C-EZ as a statutory employee, enter the gross receipts from that federal Schedule C or C-EZ	3 _____
4. Add lines 1f, 2c and 3. Enter the total here and on Schedule IN-EIC, Section C, line C2 even if a loss. If the result is a loss, enter it in parentheses	4 _____

You will need to complete the above worksheet if you have earnings from self-employment because these earnings are earned income for the credit. You may have earnings from self-employment if:

- You own your own business,
- You are a minister or member of a religious order, or
- You reported income and expenses on federal Schedule C or C-EZ as a statutory employee.

Statutory employee's earnings. If you reported income and expenses on federal Schedule C or C-EZ as a statutory employee, your earnings from self-employment are the gross receipts from either schedule.

Other earnings. Your earnings from self-employment in a business you own, or from your services as a minister or member of a religious order, are earned income for the credit.

If you do not have to file federal Schedule SE, your earnings (or loss) from self-employment are the net profit or loss from your self-employment activities.

Special procedures for a minister or member of a religious order. If you file federal Schedule SE and the amount on that schedule includes an amount that was also reported as wage income on federal Form 1040, determine how much of the income reported on federal Form 1040 was also reported on federal Schedule SE. If you received a housing allowance or were provided housing, **do not** include the allowance of rental value of the parsonage as nontaxable earned income on line 4 of the worksheet above if it is required to be included on federal Schedule SE. Then, determine how much of the income reported as wage income on federal Form 1040 was also reported on federal Schedule SE. Next, subtract that income from the wage income on federal Form 1040. Then, enter only the result on line 1 of the worksheet above.

Indiana's Earned Income Credit (EIC): Instructions

You may be eligible to claim Indiana's Earned Income Credit if you meet **all** of the following requirements.

- ✓ You have at least one qualifying child¹,
- ✓ Your qualifying child lived with you in the United States for more than half of 2002²,
- ✓ Your total federal income³ is less than \$12,000,
- ✓ At least 80% of your total income is earned income, **and**
- ✓ If you are a full-year Indiana resident or a part-year/full-year non-resident of Indiana, you must have taxable income from Indiana sources (you must have an entry on line 1 of Form IT-40 or line 21B of Schedule A, Form IT-40PNR).

¹ Unlike the federal earned income credit, you **must** have a qualifying child to be eligible to claim this credit.

² See **Military personnel stationed outside the United States** on the next page.

³ See total federal income definition below.

The Earned Income Credit (EIC) will lower the tax you owe and may give you a refund even if you don't owe any tax. The credit can be as much as \$408.

Information in the following sections will help you determine your eligibility and, if eligible, figure your credit.

Section A – Figure your Total Federal Income

Total Federal Income

Your total federal income is your total federal income before federal adjustments. This amount must be less than \$12,000.

Note: You may not be required to file a federal tax return. However, you will need to complete a sample federal tax return for the purpose of figuring this amount.

Section B - Qualifying Child

A qualifying child is a child who:

B-1 Is your son, daughter, adopted child, grandchild, stepchild unrelated foster child (boxes a through e). The 'OTHER' box (box f) includes a related foster child, or your brother, sister, stepbrother, stepsister, or a descendant of your brother and/or sister, etc. (for example, your niece or nephew), whom you cared for as your own child; and

B-2 Was, at the end of 2002:

- under age 19, or
- under age 24 and a student (see this page), or
- any age and permanently and totally disabled (see this page), **and**

B-3 Lived with you in the United States for more than half of 2002.

If the child did not live with you for the required time, see the **Exception** on this page.

A child does not always have to be your dependent to qualify. But if the child was married or is also a qualifying child of another person (other than your spouse if filing a joint return), special rules apply. See **Married Child** and **Qualifying Child of More Than One Person** beginning in the next column.

Example. You are divorced and have a 7-year-old son. Although you had custody of your son, he is claimed as a dependent on his other parent's 2002 federal tax return. Your son is **your** qualifying child for this credit because he meets each of the five requirements listed earlier. Your son is not a qualifying child of his other parent because he did not live with the other parent for more than half of 2002 and the following **Exception** does not apply.

Exception. The child, including a foster child, is considered to have lived with you for all of 2002 if **both** of the following apply.

1. The child was born or died in 2002, and
2. Your home was the child's home for the entire time he or she was alive during 2002.

The following explain some of the terms used earlier.

- An **adopted child** includes a child placed with you for adoption by an authorized placement agency, even if the adoption is not final.
- A **grandchild** is any descendant of your son, daughter, or adopted child. For example, a grandchild includes your great-grandchild, great-great-grandchild, etc.
- A person is your eligible **foster child** if:
 1. the child lived with you for more than half of the year;
 2. you cared for that child as you would your own child; and
 3. the eligible foster child must be your brother, sister, stepbrother, or stepsister (or a descendant of any of those), or a child who is placed with you by an authorized placement agency.
- A **student** is a child who, during any 5 months of 2002 –
 1. Was enrolled as a full-time student at a school, or
 2. Took a full-time, on-farm training course. The course had to be given by a school or a state, county or local government agency.

A **school** includes elementary schools, junior and senior high schools, colleges, universities, and technical, trade, and mechanical schools. It does **not** include on-the-job training courses, correspondence schools, and night schools. *Night school:* Your child is not considered a full-time student if attending school only at night. However, full-time attendance at a school may include some attendance at night as part of a full-time course of study. *Vocational high school:* Students who work on "co-op" jobs in private industry as a part of a school's prescribed course of classroom and practical training are considered full-time students.

- A child is **permanently and totally disabled** if, by the end of 2002, both the following apply:
 1. He or she cannot engage in any substantial gainful activity because of a physical or mental condition, **and**
 2. A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

Married Child

If your child was married at the end of 2002, that child is a qualifying child only if you can claim him or her as an exemption on line 8 of Form IT-40 or line 4 of Form IT-40PNR. Exception: If this child's other parent can claim them as an exemption on the other parent's federal income tax return, then this child can be your qualifying child.

Qualifying child of more than one person. If a child meets the conditions to be a qualifying child of more than one person, only one person may treat that child as a qualifying child. You and the other person(s) can choose who will treat that child as a qualifying child. If you and the other person(s) cannot agree on who will treat that child as a qualifying child, the child can be treated as a qualifying child only by:

1. The parents, if they file a joint return;
2. The parent, if only one of the persons is the child's parent;
3. The parent with whom the child lived the longest during the year, if two of the persons are the child's parent;
4. The parent with the highest AGI if the child lived with each parent for the same amount of time during the year; or
5. The person with the highest AGI, if none of the persons is the child's parent.

Unmarried couples living together.

If an unmarried couple lives together with a qualifying child of both persons, the person with the higher AGI is the only one who may be eligible to claim the credit. The person with the lower AGI cannot claim the credit with a qualifying child. **Note:** If the other person is your spouse and you file a joint return, this rule does not apply.

Residency Test

To meet the residency test, the child:

1. Must have lived with you for more than half the year, and
2. The home must be in the United States (one of the 50 states or the District of Columbia).

Note: You are not required to have a traditional home for purposes of the child living with you. For example, you could qualify if your child lived with you for more than half the year in a homeless shelter.

Birth or death of a child. The child is considered to have lived with you for all of 2002 if **both** of the following apply.

1. The child was born or died in 2002, and
2. Your home was the child's home for the entire time he or she was alive during 2002.

Temporary absences, such as for school, vacation, or medical care, count as time lived at home.

Military personnel stationed outside the United States. U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that period for purposes of the earned income tax credit.

Extended active duty means you are called or ordered to duty for an indefinite period or for a period of more than 90 days. Once you begin serving your extended active duty, you are still considered to have been on extended active duty even if you serve less than 90 days.

Section C – The information in this section will help to determine your earned income

Earned income

This credit is called the “earned income tax credit” because, to qualify, you must work and have earned income. If you are married and file a joint return, you meet this rule if at least one spouse works and has earned income.

Earned income is:

1. Wages, salaries, tips and other employee compensation* plus
2. Net earnings from self-employment (figure your earnings from self-employment on Indiana's Schedule EIC, Section C-1).

*For purposes of figuring this credit, earned income does not include the following:

- Workfare payments,
- Taxable scholarship or fellowship grant that was not reported on a W-2 form, and/or
- An amount paid to an inmate in a penal institution.

Special Rules

Household Employees. If you were a household employee who did not receive a W-2 form because your employer paid you less than \$1,300 in 2002, be sure to include the amount you were paid.

Workfare Payments. These are cash payments certain families receive from a state or local agency that administers public assistance funds under the federal TANF program. These cash payments are made in return for work experience activities (including work associated with remodeling or repairing publicly assisted housing) or community service program activities. These are not earned income for purposes of the EIC. If the total wage income on federal Form 1040 includes such income, subtract that income from the amount reported. Enter the result on Indiana's Schedule EIC, Section C, line C-1.

Inmates. Amounts paid to inmates in penal institutions for their work are not earned income for purposes of the EIC. If the total wage income on Form 1040 includes such income, subtract out that income amount. **Enter the result on Indiana's Schedule EIC, Section C, line C-1.**