

Schedule IN-EIC

Form IT-40/IT-40PNR
Rev. 9/99 SF# 49469

Schedule IN-EIC: Indiana's Earned Income Credit

Attachment
Sequence No. 05

Enter your first name, middle initial and last name and spouses full name if filing a joint return

Your Social
Security Number

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Section A: Figure your Adjusted Income

Enter the amount from your 1999 federal Form 1040 line 22,
Form 1040A line 14 or Form 1040EZ line 4(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 in the booklet to explain the terms used below)

	Enter each Child's Name here (Please print clearly or type)	1 First Last	2 First Last	3 First Last	4 First Last
Check only <u>one</u> box in each section for each child listed.					
B-1	Your child	a ☐	a ☐	a ☐	a ☐
	Adopted child	b ☐	b ☐	b ☐	b ☐
	Grandchild	c ☐	c ☐	c ☐	c ☐
	Stepchild	d ☐	d ☐	d ☐	d ☐
	Foster child, (not related)	e ☐	e ☐	e ☐	e ☐
	Foster child, (related)	f ☐	f ☐	f ☐	f ☐
B-2	Under age 18	g ☐	g ☐	g ☐	g ☐
	Age 18	h ☐	h ☐	h ☐	h ☐
	Age 19 - 24 and a full-time student	i ☐	i ☐	i ☐	i ☐
	Age 19 or older and totally disabled	j ☐	j ☐	j ☐	j ☐
B-3	Child lived with you at least 1/2 of the year (If not, see below)(if foster child, must have lived with you entire year)	k ☐	k ☐	k ☐	k ☐
	Child was born or died in 1999, and lived with you while alive in 1999.	l ☐	l ☐	l ☐	l ☐

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 \$1,100 in 1999 **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 federal Form 1040 line 7 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 or 1040A line 7, or Form 1040EZ line 1 C1 \$ _____

Enter any nontaxable earned income (e.g. from box 13 of your W-2 form; see instructions in the booklet) C2 \$ _____

If you were self-employed, complete the worksheet on the back and enter the amount from line 4 C3 \$ _____

Add lines C1, C2 and C3 and enter here (if this is a loss, **STOP**. You do not get this credit) C4 \$ _____

Enter the amount from Section A line A1 above \$ _____ Multiply by 80% (.80) and enter here C5 \$ _____

Is the amount on line C4 equal to or greater than the amount on line C5?

☐ 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

This is the maximum allowable income D1 \$ **12,000**

Enter your adjusted 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. Enter here and on Form IT-40 line 23 or on Form IT-40PNR line 21 (if less than zero, enter zero) **NOTE:** You must attach this schedule to your tax return to receive the credit **Indiana's Earned Income Credit** ➤ D4 \$

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 the amount from federal Schedule SE, Section A, line 3, or Section B, line 3, whichever applies 1a _____
- b. Enter the amount, if any, from federal Schedule SE, Section B, line 4b 1b _____
- c. Add lines 1a and 1b 1c _____
- d. Enter the amount from federal Form 1040 line 27 1d _____
- e. Subtract line 1d from line 1c **1e** _____

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, line 36, and farm partnerships from federal Schedule K-1 (Form 1065), line 15a 2a _____
- b. Enter any net profit or (loss) from federal Schedule C, line 31, federal Schedule C-EZ, line 3, federal Schedule K-1 (Form 1065), line 15a (other than farming), and federal Schedule K-1 (Form 1065-B), box 9 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 amount from line 1 of that federal Schedule C or C-EZ **3** _____

4. Add lines 1e, 2c and 3. Enter the total here and on Schedule IN-EIC, Section C, line C3 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 amount on line 1 of 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.

Federal Schedule SE. If you filed federal Schedule SE, your earnings from self-employment are the amount you get after you subtract one-half of your self-employment tax (federal Form 1040, line 27)

from your net profit (federal Schedule SE, line 3 of either Section A or Section B, whichever applies). **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 line 2 of that schedule includes an amount that was also reported on federal Form 1040, line 7, determine how much of the income reported on federal Form 1040, line 7, was also reported on federal Schedule SE, line 7. 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, line 2. Then, determine how much of the income reported on federal Form 1040, line 7, was also reported on federal Schedule SE, line 2. Next, subtract that income from the amount on federal Form 1040, line 7. 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 child*,
- ✓ Your qualifying child lived with you in the United States for more than half of 1999,**
- ✓ Your total income 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).

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

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

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 Adjusted Income

Adjusted Income

Your adjusted income must be less than \$12,000. You can find this amount on federal Form 1040 line 22, Form 1040A line 14, or Form 1040EZ line 4.

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

Section B - Qualifying Child

A qualifying child is a child who:

1. Is your son, daughter, adopted child, grandchild, stepchild, or foster child, and
2. Was, at the end of 1999:
 - 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**
3. Lived with you in the United States for more than half of 1999 (for all of 1999 if a foster child).

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** on the next page.

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 1999 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 1999 and the following **Exception** does not apply.

Exception. The child, including a foster child, is considered to have lived with you for all of 1999 if **both** of the following apply.

1. The child was born or died in 1999, and
2. Your home was the child's home for the entire time he or she was alive during 1999.

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 the child lived with you for the whole year and you cared for that child as you would your own child. The eligible foster child does not have to be related to you.
- A **student** is a child who, during any 5 months of 1999 –
 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 1999, 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 1999, 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 you and someone else have the same qualifying child, the person with the higher modified adjusted gross income (AGI) for 1999 is the only one who may be able to claim the credit. The person with the lower modified AGI cannot claim the credit. This is true even if the person with the higher modified AGI does not claim the credit or meet all of the rules to claim the credit.

Example. You and your 5-year-old daughter moved in with your mother in April 1999. You are not a qualifying child of your mother. Your daughter meets the conditions to be a qualifying child for both you and your mother. Your modified AGI for 1999 was \$6,000, and your mother's was \$11,000. Because your mother's modified AGI was higher, your daughter is your mother's qualifying child. You **cannot** take this credit even if your mother does not or cannot claim the credit.

If three or more persons have the same qualifying child, the person with the highest modified AGI is the only one who may be able to claim the credit.

Unmarried couples living together.

If an unmarried couple lives together with a qualifying child of both persons, the person with the higher modified AGI is the only one who may be eligible to claim the credit. The person with the lower modified 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.

How to Figure your Modified AGI (Adjusted Gross income)

If you have a qualified child of more than one person you must figure modified AGI for each person. First, complete your federal income tax return.

- If you filed federal Form 1040EZ, your modified AGI is line 4 from that form.
- If you filed federal Form 1040A, your modified AGI is line 8b plus line 16 from that form.
- If you filed federal Form 1040, your modified AGI is the total of line 8b plus line 33, increased by the amount of (1) any loss claimed on Form 1040, line 13, (2) three-fourths of any losses on Form 1040, lines 12 and 18, and (3) any nontaxable distributions from a pension, annuity, or individual retirement arrangement (IRA). But modified AGI does not include any distribution that is not taxable because it (a) was a trustee-to-trustee transfer or (b) was rolled over into a similar type of plan during the period allowed for rollovers. If you converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA, see federal Publication 596 to figure your modified AGI. Also see that publication to figure your modified AGI if you are filing federal Schedule E or you are claiming a loss from the rental of personal property not used in a trade or business.

Residency Test

To meet the residency test, the child:

1. Must have lived with you for more than half the year (the whole year if the child is an eligible foster child), 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 1999 if **both** of the following apply.

1. The child was born or died in 1999, and
2. Your home was the child's home for the entire time he or she was alive during 1999.

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 (usually the amount reported on federal Form 1040 line 7* or on line 1 of federal Forms 1040A or 1040EZ), 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 (which may have been included on line 7 of your federal Form 1040):

- 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.

Nontaxable Earned Income

Certain earned income is not taxable, but it must be included to see if you can take this credit. Nontaxable earned income includes anything of value (money, goods, or services) that is not taxable that you received from your employer for your work. Some examples of nontaxable earned income are listed here:

- Amounts shown in box 13 of your W-2 form with a code “Q”.
- Housing allowances or rental value of a parsonage for clergy members. However, if you are filing federal Schedule SE, see Special procedures for a minister or member of a religious order on this page.
- Meals and lodgings provided for the convenience of your employer.
- Salary deferrals. For example, the deferred compensation amount in box 15 of the W-2 form qualifies as a salary deferral.
- Excludable dependent care benefits from federal Form 2441, line 18.
- Excludable employer-provided adoption benefits from federal Form 8839, line 29.
- Salary reductions, such as under a cafeteria plan, unless they are included in box 1 of your W-2 form.

Include the total of your nontaxable earned income on Section C, line C2.

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 \$1,100 in 1999, be sure to include the amount you were paid on Form 1040 line 7.

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 income on federal Form 1040, line 7, includes such income, subtract that income from the amount on line 7. 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 on Form 1040, line 7 includes such income, subtract that income from the amount on line 7. **Enter the result on Indiana's Schedule EIC, Section C, line C-1.**