

NEW YORK STATE
OFFICE OF THE STATE COMPTROLLER

DIVISION OF AUDITS AND ACCOUNTS

BULLETIN NO. P-196

May 2, 1979

To : All State Departments and Agencies

Subject: Advance Payment of Earned Income Credit

Effective on July 1, 1979, Federal Internal Revenue Service regulations require all employers to offer their employees the option to be paid, in their regular payroll check, the amount an employee is entitled to receive for the "earned income credit" provisions of federal tax law. Generally, employees who expect to have an adjusted gross income under \$10,000 for 1979 and who are heads of households and have a child living with them are eligible for the earned income credit. The amount of the credit varies with income and with filing status and is a maximum of \$19.20 biweekly for an employee who is single or who is married without his/her spouse filing for the earned income credit and \$9.60 biweekly for an employee who is married with both spouses filing for the credit.

A "Notice to Employees" and instructions for completing the W-5 (the form an eligible employee must complete) are attached. Copies of the supplement to Circular E (Publication 15-Supplement 7-79) and copies of the W-5 should be obtained from your local IRS office, or may be obtained by calling the toll free number 800-225-0717.

All employees who may be eligible for the credit should be notified of the new program and given the opportunity to complete the W-5. If an eligible employee chooses not to complete the W-5, he/she will continue to receive the credit on his/her annual tax return.

The payment of the credit can begin in Period 7 for both Administration and Institution cycles.

Reporting eligibility for the Earned Income Credit (EIC)

Eligibility for the EIC and the filing status is reported on the AC-1040 in the miscellaneous section using code 542. The status codes are

- S - Single or married without spouse filing for credit.
- M - Married with both spouses filing for credit.

- (a) To start EIC enter 542 in a code block and 'M' or 'S' in the data block.
- (b) To change EIC enter 542 in a code block and the new status ('M' or 'S') in the data block. The old status is cancelled automatically.
- (c) To cancel EIC enter 542 in a code block and 'C' in the data block.

The amount of the EIC will be automatically calculated biweekly, based on filing status and gross salary. The EIC is a separate amount which increases net salary; it does not increase gross salary or reduce federal withholding tax.

The EIC will be printed with code 542 in the "miscellaneous" column on the salary register and as an "other deduction" on the check stub. The amount will be preceded by a 'C' to indicate that it is a credit to net salary. A total of the EIC will also appear as a negative amount at the end of the salary register with code 542.

The EIC code will not be transferred when an employee is appointed to another agency and will not be retained when an employee is placed on leave without pay or is removed from the payroll. When an employee is reinstated from leave or removal, the EIC must be reported on an AC-1040 if it is to continue.

PRG-1 PAYROLL YTD SUMMARY REGISTER

A new column for year-to-date EIC will be added to the PRG-1 YTD Summary. Because of space limitations the "BOND PRICE" column is being eliminated. The bond price will appear as a single digit following the BOND column. The codes are a numeric indication of the multiples of \$18.75 necessary to purchase a bond of the appropriate denomination. The codes are:

<u>CODE</u>	<u>PURCHASE PRICE</u>	<u>BOND ISSUE AMOUNT</u>
1	18.75	25.00
2	37.50	50.00
3	56.25	75.00
4	75.00	100.00
5	93.75	100.00 + 25.00
6	112.50	100.00 + 50.00
7	131.25	100.00 + 75.00
8	150.00	200.00
9	168.75	200.00 + 25.00

Adjustments to the YTD EIC will appear on the PDL-17 with code 542.

Reporting on AC-230 Report of Check Returned for Refund or Exchange

When refunding a salary check with an AC-230, report the EIC for full refunds only. The amount of the credit should not be adjusted on a partial refund. For a full refund, enter 542 in one of the miscellaneous code blocks and the amount of the EIC in the amount block. Do not precede the amount with the 'C' that appears on the salary register.

Questions concerning the preparation of AC-1040's for the EIC should be directed to the Payroll Planning Unit at 518-474-1246.

Attachments

Advance Earned Income Credit Payments

1. Do you expect your income (including your spouse's income if married) to be less than \$10,000 for this year?

If your answer to both these questions is YES, you may want to ask your employer for Form W-5, Earned Income Credit Advance Payment Certificate.

As a result of a new law, you can now receive the Earned Income Credit in advance during the year as you earn your income.

This form will let you know if you can get the Earned Income Credit (EIC). If you want to get the EIC in advance, fill out the certificate at the bottom of Form W-5 and give it to your employer.

2. Do you expect to have a child living with you this year?

Unless you fill out Form W-5 and give it to your employer, you will not get any advance payment of the EIC. However, if you are eligible for the EIC and choose not to get advance payment, you can still claim the EIC on your annual income tax return.

Employer:

Please post or publish this Bulletin Board Poster so that employees will see it.
Please indicate where forms and information on this subject are available.

Form W-5 (1979) Earned Income Credit Advance Payment Certificate

For "Privacy Act" notice see back of form.

Instructions

If you expect your 1979 adjusted gross income to be less than \$10,000, read these instructions carefully. (Note: Your 1978 adjusted gross income was reported on Form 1040A, line 10 or on Form 1040, line 31.)

What Does the Earned Income Credit Do?—The earned income credit can provide payments of up to \$500 to taxpayers who have incomes under \$10,000 and who have children living with them. If you are eligible for the credit, you can get it even if you owe no tax.

Who Can Take the Earned Income Credit?—The checklist below will help you find out if you are eligible for the earned income credit. If you answer "No" to any questions on the checklist, you are not eligible for the earned income credit. Do not fill in the certificate. If none of your answers are "No," you can take the credit.

Advance Payment of the Earned Income Credit.—If you are eligible, you can choose to get the credit in advance with your pay. You will get the credit on your annual tax return even if you do not complete this form.

To receive the credit in advance with your pay, fill in the bottom part of this form and give it to your employer. You may have only one certificate in effect with a current employer at one time. If you and your spouse are both employed, each of you should file a separate Form W-5. (Note: If you receive advance payments, you must file Form 1040 or Form 1040A for 1979.)

If Your Status Changes.—If you file this form with your present employer and your status changes in 1979, you usually will have to fill out a new certificate.

If your status changes so that any answer in the earned income credit checklist becomes "No," or if you no longer want to receive advance payments, you must file a

new certificate. Check the "No" box in question 1 on the new certificate to show that you are not qualified or no longer want to get advance payments.

If your status changes because your spouse files a certificate with his or her employer, you must file a new certificate with your employer showing in question 2 that your spouse has filed.

If you receive advance payment of the earned income credit and later find out that you are not eligible, you will have to pay it back when you file your annual tax return.

This Form W-5 certificate expires on December 31, 1979. If you expect to qualify for earned income credit in 1980, you must file a new certificate for 1980.

Note: If you are married and both you and your spouse are working, you should both review the Forms W-4 you have on file with your employers to make sure that enough tax is being withheld.

Earned Income Credit Checklist

To find out if you will be eligible to get the earned income credit, please answer the questions below for 1979.

	Yes	No
A Do you expect the amount of your "Adjusted Gross Income" (including that of your spouse) to be less than \$10,000?		
B Do you expect at least one of your children to live with you full time except when he or she is away at school or on vacation? *		
C If married, do you expect to file a joint return? (If not married leave blank.)		
D If not married, do you expect to pay at least half the cost of keeping up a household this year? ** (If married leave blank.)		
E Do you expect all your earned income to be from sources inside the United States and not eligible for exclusion or exemption as foreign income or income from U.S. possessions?		
F Do you expect to claim an exemption for a child who will live with you, OR do you expect to qualify as an unmarried head of household because of an unmarried child who cannot be taken as an exemption?		

* The term child includes: Your son or daughter, your stepchild, adopted child, or a child placed with you by an authorized placement agency for legal adoption (even if the child becomes your stepchild or adopted child, or is placed with you, during the year); OR any other child you care for as your own child for the whole year, unless the child's natural or adoptive parents provide more than half of the support for that year.

** If you receive payments under the Aid to Families with Dependent Children (AFDC) program and use them to pay part of the cost of keeping up this home, you may not count these amounts as furnished by you.

▼ Give the lower part of this form to your employer; keep the top part for your records ▼

..... Detach along this line

Form **W-5**

Department of the Treasury
Internal Revenue Service

Earned Income Credit Advance Payment Certificate

This Certificate Expires on December 31, 1979.

1979

Type or print your full name _____ Your social security number _____

Home address (number and street or rural route) _____

City or town, State, and ZIP code _____

Note: If you file Form W-5 with an employer to receive advance payments of the earned income credit for 1979, you must file Form 1040 or Form 1040A for 1979. If married, you must file a joint return.

1 I expect to be eligible for the earned income credit for 1979, I have no other certificate in effect with any other current employer, and I choose to receive advance payment of the earned income credit.	Yes	No
2 If you are not married, check "No"		
If you are married, does your spouse have a certificate in effect for 1979 with any employer?		

Under penalties of perjury, I declare that the information I have furnished above, to the best of my knowledge, is true, correct, and complete.

Signature ►

Date ►

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