



Office of the State Comptroller
PAYROLL BULLETIN

Subject Employer Notice to Employees Who May Be Eligible for Earned Income Credit	Bulletin No. P-595
	Date January 5, 1989

Under the Tax Reform Act employers are required to issue a Notice to all employees who may be eligible for a tax refund on their Federal Income Tax Returns due to Earned Income Credit (EIC).

Each agency must provide a copy of "Notice 797", which is attached, to all employees who worked for them at any time during the year from whom no income tax was withheld unless the employees claimed exemption from withholding on Form W-4 or W-4A, Employee's Withholding Allowance Certificate.

OSC will produce listings which will be sent along with this Bulletin to agencies identifying those employees who may qualify for EIC. "Notice 797" which you may either copy or obtain from IRS (toll free number 1-800-424-3676) must be given to each employee on the listing. You may either distribute the notice with the employee's 1988 W-2, Wage and Tax Statement, or within one week before or after that time.

Questions concerning this Bulletin should be directed to the Payroll Planning Office at (518) 486-3040.

Attachment



Notice 797

(Rev. March 1988)

You May Be Eligible for a Refund on Your Federal Income Tax Return Because of the Earned Income Credit (EIC)

What Is the EIC?

The EIC is a tax credit for certain workers who have at least one child who lives with them in a home in the United States. (See the back of this notice for a definition of "child.") It is based on a percentage of your earned income. Even if you have no tax withheld from your pay or have no tax liability, you can benefit since any EIC that is more than your tax liability is refunded to you, but **ONLY** if you file a tax return. For example, if you have no tax withheld in 1988, have no tax liability, and are eligible for a \$300 EIC, you could get a \$300 refund, but only if you file a tax return. For 1988, the EIC can be as much as \$874.

Am I Eligible for the EIC?

You may be able to take the EIC for 1988 if you work and meet all of the following conditions:

1. Your 1988 earned income and adjusted gross income must each be less than \$18,576 ("adjusted gross income" generally means the total of your wages, interest, dividends, alimony received, and certain other income minus the total of your allowable deductions for contributions to an IRA, alimony paid, reimbursed employee business expenses, and certain other deductions).
2. You have a child who lived with you in a home in the United States for more than 6 months during 1988 (for all of 1988 if your filing status is qualifying widow(er) with dependent child).
3. Your filing status on your return is married filing jointly, head of household, or qualifying widow(er) with dependent child.
4. You do not claim the foreign earned income or housing expense exclusion, or the foreign housing expense deduction.

The 1988 instructions for Forms 1040 and 1040A and Publication 596, Earned Income Credit, explain in detail who may take the EIC. You can get the instructions and the publication from IRS offices or by calling the IRS toll-free telephone number 1-800-424-3676.

How Do I Claim the EIC?

If you are eligible, claim the EIC on your 1988 Form 1040 or 1040A. Use the EIC worksheet in the instructions to those forms to figure the EIC. If you choose, you can receive the EIC during the year in advance payments with your pay, rather than waiting to claim it on your tax return. To get advance payments you will have to complete a Form W-5, Earned Income Credit Advance Payment Certificate (available from IRS offices or by calling toll free 1-800-424-3676), and give it to your employer.

Definition of Child.—In general, for purposes of the EIC, your child includes:

- Your son or daughter.
- Your stepchild or adopted child.

If your filing status is **married filing jointly or qualifying widow(er) with dependent child**, your child also includes a child placed with you by an authorized placement agency for adoption by you, or a foster child (any other child, such as your grandchild, whom you cared for as your own child for the whole year).

If your filing status is **head of household**, your child also includes a descendant of your son, daughter, or adopted child.

If your child was born, or died, in 1988 and your home was your child's home during the part of 1988 that he or she was alive, your child is considered to have lived with you for more than 6 months or, if applicable, for all of 1988.