USING 2019 EARNED INCOME on the 2020 and 2021 RETURNS

Who is eligible: Anyone whose earned income in 2019 was greater than their earned income in 2020.

Benefit: Taxpayer will receive Earned Income Tax Credit (EITC) and the refundable portion of the Child Tax Credit (CTC) based on 2019 earned income if it's greater than the EITC and CTC based on 2020 earned income.

If it appears that the taxpayer meets these requirements based on the amounts on Line 1 (wages) and Schedule 1 Line 3 (business income) of the 2019 return, you must review the return and determine the amount of earned income eligible for the credit. Do not use the amounts from these lines as there may be income included in these lines that is not earned income – see below.

How to determine earned income for TY2019

A. Preferred method: find earned income amount on the 2019 tax return

1) Look for Form 8812. Earned income is shown on line 6a.

2) If there's no Form 8812 with the return, look for the EITC worksheets on the 2019 return (usually at the end). Earned income is shown on Worksheet A, Line 1 or Worksheet B, Line 4b.

3) If no Form 8812 or EITC Worksheet, and taxpayer filed with your site last year, access the 2019 return and go through steps 1 and 2 above. Worksheets will be visible using the QR print set or View/Print from the Summary/Print page.

B. How to manually calculate earned income for TY2019

Earned income = Line 1 adjusted amount plus Schedule 1 Line 3 adjusted amount

Line 1 income - reduce amount by:

- Taxable scholarships or fellowship grants not reported on Form W-2
- Amounts received for work while an inmate in a penal institution
- Amounts shown on Form W-2, Box 11 (non-qualified plans)
- Amount that is a Medicaid waiver payment that is excluded from income, unless the taxpayer elects to include it for EITC and CTC purposes

Schedule 1 Line 3 income – reduce amount by:

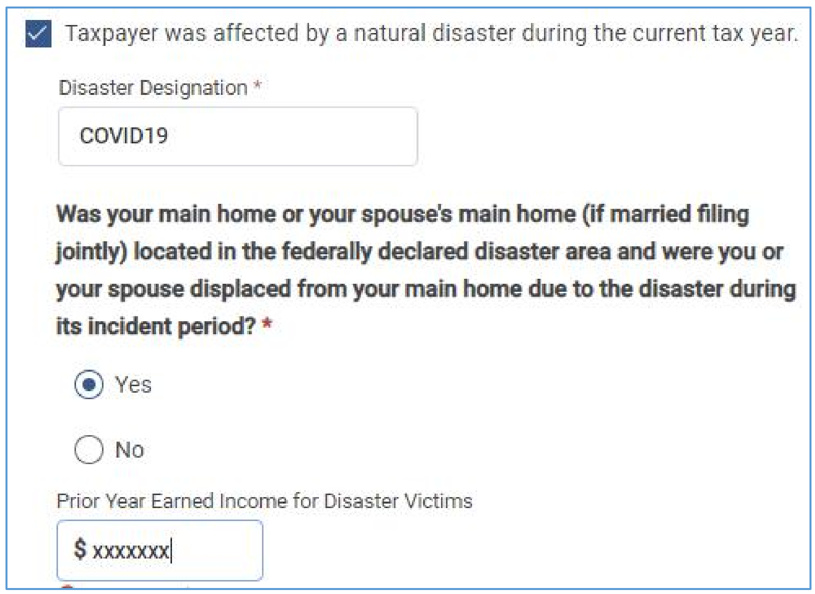
- Schedule 1 Line 14 – deductible part of self-employment tax

Note: See EITC Worksheet B in the 1040 instructions in the following cases:

- Church employees filing Sch SE
- Taxpayers with net profit from notary services
- Statutory employee income

How to Show in TaxSlayer – to be revised when TaxSlayer updates the screens (issue 5238 on 1/15/21 VITA/TCE Blog)

Once 2019 earned income is determined and if it's greater than 2020 earned income (shown on 2020 EITC Worksheet A or B – use QR print set or View/Print from the Summary/Print page to see the worksheets):



- On TaxSlayer Personal Information page, check the box that says "Taxpayer was affected by a natural disaster during the current tax year."
- For disaster declaration, type in COVID19.
- For the next question "Was your main home or your spouse's main home etc., select Yes.
- Enter the prior year earned income in the next box.

TaxSlayer will calculate best EITC and CTC based on either prior year earned income or current year earned income. If prior year earned income is used, PYEI and the amount will print on Form 1040.