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PAYROLL ADMINISTRATION MEMORANDUM - NO. 16, 2008-2009

DATE: January 14, 2009

TO: ISC Executive Directors (via e-mail)
Principals (via "Principal's Weekly Newsletter")
School Secretaries

FROM: Vincent A. Giordano
Executive Director

SUBJECT: Advance Earned Income Credit (EIC) for the Year 2009

Under current Internal Revenue Service regulations certain eligible employees may qualify for the Earned Income Credit on their Federal Tax withholding. Low-income employees with dependent children who qualify for EIC can receive advances of the refundable credit as an addition to their regular paychecks rather than wait until they file their income tax returns. However, the amount received in advance is limited to the basic earned income credit amount for families with one qualifying child. Employees who are eligible for the larger credit must wait until they file their income tax returns to get the benefit of those extra credit amounts.

Advance EIC Defined

Advance EIC is a tax credit for certain employees who have a qualifying child living with them and expect to earn less than \$35,463 in 2009 (\$38,583 if you expect to file a joint return in 2009). These employees may choose to receive up to \$1,826 of the basic credit in advance with their paycheck instead of waiting until they file their 2009 Federal Income Tax Return. In effect, Advance EIC is a 'negative income tax' that reduces an employee's Federal withholding tax deduction each pay date.

Eligibility Rules

An employee may be able to claim the Advance EIC for 2009 if he/she works and meets all of the requirements: as listed on the attached W-5 Form.

Claiming Advance EIC

If an employee expects to qualify and wants to claim the advance EIC for the year 2009, he/she must complete a W-5 Form and submit it to his/her timekeeper/school secretary for processing. Married employees who both file for Advance EIC should be aware that the advance credit amount will be different from the basic credit. Such employees are required to file a joint tax return.

Timekeepers/school secretaries should forward the completed W-5 Form to:

Division of Financial Operations
Hourly Support Payroll
65 Court Street - Room 1003
Brooklyn, New York 11201
FAX # (718) 935-4093

Any questions please contact (718) 935-3030.

Note that the W-5 certificate is effective for the current calendar year only. A new W-5 Form must be submitted each calendar year in order to continue the Advance EIC deduction.

The earned income and adjusted gross income threshold for EIC eligibility is also likely to change from year to year, and you will be informed of any such change. **The form is available for download from the IRS website www.irs.gov.**

Employees who want more information on the EIC or who need help filing the necessary tax return can obtain assistance by calling the IRS toll free at 1-800-829-3676.

Please make this memorandum available to affected staff.

VAG/co

c. George Raab
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