

EARNED INCOME CREDIT

Purpose

An employee who is eligible for Earned Income Credit (EIC) and has a qualifying child is entitled to receive EIC payments with his or her pay during the year.

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To receive these payments, the employee must give you a properly completed Form W-5, Earned Income Credit Advance Payment Certificate. You are required to make advance EIC payments to employees who give you a completed and signed Form W-5. The Form W-5 remains in effect until the end of the calendar year unless the employee revokes it or files another one. Eligible employees must file a new Form W-5 each year.

Procedure

The district's payroll technician should review the current year IRS Circular E publication to determine eligibility of the employee.

If determined to be eligible, the employee must submit a completed and signed Form W-5. Please contact BMAS to obtain the current Form W-5.

Based on the information completed on the form, either METHOD A (for single or married without spouse filing Form W-5), or METHOD B (married with both spouses filing Form W-5's) is selected by placing an "A" or a "B" in the EIC field located in the employee's W-4 screen through the payroll system. The appropriate amount will be determined via the EIC tables in the payroll system, which are maintained by BMAS, and will be added to the employee's net pay. (Example attached)

The METHOD A or METHOD B option must be manually removed from the employee's W-4 screen at a minimum by the end of the calendar year, which is the designated expiration date per Form W-5, or when the employee's situation changes.

Date Revised: January 1, 2000

Contact Person: Cheryl Dutton

Procedure Binder Section: Payroll