

Facts About Earned Income Credit With Low Wages

Assumption: Family With 2 Children - 2002 Tax Charts Used

	Poverty Level of Income Spends 18% for Day Care and 2.5% for Medical		Average Level of Income Spends 14% for Day Care and 2.5% for Medical		Higher Level of Income Spends 7% for Day Care and 2.5% for Medical	
	Regular	With Benefit	Regular	With Benefit	Regular	With Benefit
Gross Income	\$16,529	\$16,529	\$33,059	\$33,059	\$72,000	\$72,000
Pre-Taxed Day Care/ Med FSA	0	\$3,388	0	\$5,454	0	(2) \$6,800
Income Subject to Taxes	\$16,529	\$13,141	\$33,059	\$27,605	\$72,000	\$65,200
Less Income Tax	0	0	\$1,376	\$778	\$7,883	\$6,206
Less Child Care Credit	(1) 0	(1) 0	\$1,376	0	\$960	0
Net Income Tax Liability	0	0	0	\$778	\$6,923	\$6,206
Less SS@ 7.65%	\$1,264	\$1,005	\$2,529	\$2,112	\$5,508	\$4,988
Spendable Income	\$15,265	\$12,136	\$29,154	\$24,715	\$58,609	\$54,006
Less Day Care/Medical Expenses	\$3,388		\$5,454		(2) \$6,800	
Plus EIC on Taxable Wages	\$3,507	\$4,140	\$453	\$1,212	0	0
NET FOR OTHER EXPENSES	\$15,384	\$16,276	\$24,153	\$25,927	\$51,809	\$54,006
	Savings	\$892.00	Savings	\$1,774	Savings	\$2,197

Notes:

(1) Child Care Credit cannot reduce income tax liability below zero.

(2) Child Care benefits limited to \$5,000

(3) The Earned Income Credit (EIC) is a refundable credit

(4) If a person elects NOT to use the benefit, they will pay what could be their savings into taxes. NO EXCEPTIONS.