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## ADVANCED EITC PAYMENT IS REPEALED

Beginning in 2011, advance payment of the Earned Income Tax Credit (EITC) will no longer be available to workers. The advance payment option of the EITC is repealed by H.R. 1586, signed into law by the President on August 10, 2010.

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low to moderate income workers who qualify. It results in a tax refund to those who claim and qualify for the credit, which they can claim as a lump sum when they file their federal tax return.

Since 1979, the advance payment system allowed eligible taxpayers to elect to receive the credit in their paychecks, rather than waiting to claim a refund on their tax return filed by April 15 of the following year. Effective for tax years after December 31, 2010, eligible workers will still be able to claim the refund on their income tax return but employers may no longer advance a portion of it with each paycheck.

### What Should Employers Do?

Payroll systems will need to be adjusted to eliminate advance EITC payments, and employers must communicate the change to their employees. The Internal Revenue Service (IRS) has not announced changes to any payroll forms as of yet, but it is expected these will be forthcoming.

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