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**DEPARTMENT OF STATE REVENUE**  
**Information Bulletin #92**  
**Income Tax**  
**June 2008**  
**(Replaces Bulletin #92 Dated July 2005)**

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**SUBJECT:** Individual Earned Income Tax Credit (EITC) Procedures

**REFERENCES:** [IC 6-3-4-8](#); [IC 6-3.1-21](#)

**EFFECTIVE DATE:** January 1, 2009

**INTRODUCTION:**

HEA 1001-2008 increased the earned income tax credit for Indiana from 6 percent to 9 percent of the federal credit effective for taxable years beginning after December 31, 2008. HEA 1125-2008 provides that the amount of the earned income tax credit shall be apportioned for partial year residents.

**I. CALCULATION OF THE EARNED INCOME TAX CREDIT**

An individual is eligible for the Indiana earned income tax credit if the person is eligible for the federal earned income tax credit under Section 32 of the Internal Revenue Code. The Indiana credit amount is equal to 9 percent of the amount of the federal earned income tax credit that the individual is eligible to receive and claim for the taxable year.

A taxpayer residing in Indiana for less than the taxpayer's entire taxable year is entitled to an apportioned earned income tax credit. The amount of the credit is 9 percent of the amount of the federal earned income tax credit that the individual is eligible to receive and claim for the taxable year multiplied by the taxpayer's Indiana income divided by the taxpayer's total income.

If the credit amount exceeds the taxpayer's actual tax liability for the taxable year, the excess credit shall be refunded to the taxpayer.

**II. CALCULATION OF ADVANCE EARNED INCOME TAX CREDIT PAYMENTS**

An employee subject to withholding of Indiana adjusted gross income tax may request his/her employer to reduce the amount of adjusted gross income tax withheld as an advance payment of the Indiana earned income tax credit.

To qualify for the advance earned income tax credit payment, the taxpayer must be an Indiana resident, have a federal Form W-5 on file with the employer, and receive federal advance earned income tax credit payments from his/her employer.

To request an Indiana advance earned income tax credit payment, the employee must complete and sign Form WH-5, which the employer is required to maintain for three (3) years after the year that the form is completed by the employee.

The employer shall advance to the employee 9 percent of the federal advance earned income tax credit payment, but is not required to advance the credit payment if the amount is less than \$1 per pay period.

**III. REPORTING OF ADVANCE EARNED INCOME TAX PAYMENT AMOUNTS BY THE EMPLOYER**

The total amount that the employer advances to all employees shall be reported when the employer remits the Indiana adjusted gross income tax withheld. The advance shall be deducted from the total tax withheld for all employees when calculating the net amount that the employer is required to remit to the Department.

The total annual amount that the employer advances for the earned income tax credit payments will be reported on the Form WH-3, Annual Withholding Tax Reconciliation Return.

The total amount advanced to individual employees will be shown on the Form W-2 Wage and Tax Statement in the box directly beneath box 19, with "INADV" directly beneath box 20.

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John Eckart  
Commissioner

