

2002 Form W-5



Department of the Treasury
Internal Revenue Service

Instructions

Changes To Note

Beginning in 2002, new rules apply to determine who is a qualifying child for purposes of the earned income credit (EIC). See page 2. Also, nontaxable earned income and modified adjusted gross income (MAGI) are no longer taken into account to determine who is eligible for the credit or the amount of the credit. Taxable earned income and AGI are used instead.

Purpose

Use Form W-5 if you are eligible to get part of the EIC in advance with your pay and choose to do so. See **Who Is Eligible To Get Advance EIC Payments?** below. The amount you can get in advance generally depends on your wages. If you are married, the amount of your advance EIC payments also depends on whether your spouse has filed a Form W-5 with his or her employer. However, your employer cannot give you more than \$1,503 throughout 2002 with your pay. You will get the rest of any EIC you are entitled to when you file your tax return and claim the EIC.

If you do not choose to get advance payments, you can still claim the EIC on your 2002 tax return.

What Is the EIC?

The EIC is a credit for certain workers. It reduces the tax you owe. It may give you a refund even if you do not owe any tax.

Who Is Eligible To Get Advance EIC Payments?

You are eligible to get advance EIC payments if **all three** of the following apply.

1. You expect to have at least one qualifying child. If you do not expect to have a qualifying child, you may still be eligible for the EIC, but you **cannot** receive advance EIC payments. See **Who Is a Qualifying Child?** on page 2.

2. You expect that your 2002 earned income and AGI will each be less than \$29,201 (\$30,201 if you expect to file a joint return for 2002). Include your spouse's income if you plan to file a joint return. As used on this form, **earned income** does not include amounts inmates in penal institutions are paid for their work, amounts received as a pension or annuity from a nonqualified deferred compensation plan or a section 457 plan, or nontaxable earned income.

3. You expect to be able to claim the EIC for 2002. To find out if you may be able to claim the EIC, answer the questions on page 2.

Workfare payments. These are cash payments certain people receive from a state or local agency that administers public assistance programs funded under the Federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as (a) work experience activities (including work associated with remodeling or repairing publicly assisted housing) if sufficient private sector employment is not available or (b) community service program activities.

How To Get Advance EIC Payments

If you are eligible to get advance EIC payments, fill in the 2002 Form W-5 at the bottom of this page. Then, detach it and give it to your employer. If you get advance payments, you **must** file a 2002 Federal income tax return.

You may have only **one** Form W-5 in effect at one time. If you and your spouse are both employed, you should file separate Forms W-5.

(continued on page 2)

▼ Give the bottom part to your employer; keep the top part for your records. ▼

..... Detach here

Form **W-5**

Earned Income Credit Advance Payment Certificate

OMB No. 1545-1342

Department of the Treasury
Internal Revenue Service

- ▶ Use the current year's certificate only.
- ▶ Give this certificate to your employer.
- ▶ This certificate expires on December 31, 2002.

2002

Print or type your full name

Your social security number

Note: If you get advance payments of the earned income credit for 2002, you **must** file a 2002 Federal income tax return. To get advance payments, you **must** have a qualifying child and your filing status must be any status **except** married filing a separate return.


- 1 I expect to have a qualifying child and be able to claim the earned income credit for 2002, I do not have another Form W-5 in effect with any other current employer, and I choose to get advance EIC payments . . . Yes No
- 2 Check the box that shows your expected filing status for 2002:
 Single, head of household, or qualifying widow(er) Married filing jointly
- 3 If you are married, does your spouse have a Form W-5 in effect for 2002 with any employer? . . . Yes No

Under penalties of perjury, I declare that the information I have furnished above is, to the best of my knowledge, true, correct, and complete.


Signature ▶


Date ▶

Questions To See if You May Be Able To Claim the EIC for 2002


 You **cannot** claim the EIC if you plan to file either **Form 2555** or **Form 2555-EZ** (relating to foreign earned income) for 2002. You also **cannot** claim the EIC if you are a nonresident alien for any part of 2002 unless you are married to a U.S. citizen or resident and elect to be taxed as a resident alien for all of 2002.


1 Do you expect to have a qualifying child? Read **Who Is a Qualifying Child?** that starts below before you answer this question. If the child is married, be sure you also read **Married child** on page 3.

- No.**  You may be able to claim the EIC but you **cannot** get advance EIC payments.
- Yes.** *Continue.*


 If the child meets the conditions to be a qualifying child for both you and another person, see **Qualifying child of more than one person** on page 3.

2 Do you expect your 2002 filing status to be married filing a separate return?


- Yes.**  You **cannot** claim the EIC.
- No.** *Continue.*

 If you expect to file a joint return for 2002, include your spouse's income when answering questions 3 and 4.

3 Do you expect that your 2002 earned income and AGI will each be less than: \$29,201 (30,201 if married filing jointly) if you expect to have 1 qualifying child; \$33,178 (34,178 if married filing jointly) if you expect to have 2 or more qualifying children?

- No.**  You **cannot** claim the EIC.
- Yes.** *Continue.* But remember, you **cannot** get advance EIC payments if you expect your 2002 earned income or AGI will be \$29,201 (30,201 or more if married filing jointly) or more.


4 Do you expect that your 2002 investment income will be more than \$2,550? For most people, investment income is the total of their taxable interest, ordinary dividends, capital gain distributions, and tax-exempt interest. However, if you plan to file a 2002 Form 1040, see the 2001 Form 1040 instructions to figure your investment income.

- Yes.**  You **cannot** claim the EIC.
- No.** *Continue.*

5 Do you expect that you, or your spouse if filing a joint return, will be a qualifying child of another person for 2002?

- No.** You may be able to claim the EIC.
- Yes.** You **cannot** claim the EIC.

This Form W-5 expires on December 31, 2002. If you are eligible to get advance EIC payments for 2003, you must file a new Form W-5 next year.

 You may be able to get a larger credit when you file your 2002 return. For details, see **Additional Credit** on page 3.

Who Is a Qualifying Child?

Any child who meets **all three** of the following conditions is a **qualifying child**.

(continued on page 3)

1. The child is your:

- Son, daughter, adopted child, stepchild, grandchild, or foster child; or
- Brother, sister, stepbrother, stepsister, or a descendant (such as a child, including an adopted child) of any such individual but only if you cared for that person as your own child.

Note: An **adopted child** is any child placed with you by an authorized placement agency for legal adoption even if the adoption is not final. An authorized placement agency includes any person authorized by state law to place children for legal adoption. A **grandchild** is any descendant of your son, daughter, stepchild or adopted child. A **foster child** is any child you cared for as your own child **and** who is placed with you by an authorized placement agency.

2. The child is under age 19 at the end of 2002, or under age 24 at the end of 2002 and a full-time student, or any age at the end of 2002 and permanently and totally disabled.

3. The child lives with you in the United States for over half of 2002.

Exception to "Time Lived With You" Condition. The child does not have to live with you for over half of 2002 if either of the following applies.

1. The child was born or died during the year and your home was this child's home for the entire time he or she was alive in 2002.

2. The child is presumed by law enforcement authorities to have been kidnapped by someone who is not a family member and the child lived with you for over half of the part of the year before he or she was kidnapped.

Note: Temporary absences such as for school, vacation, medical care, or detention in a juvenile facility count as time lived at home. Members of the military on extended active duty outside the United States are considered to be living in the United States.

Married child. A child who is married at the end of 2002 is a qualifying child only if you may claim him or her as your dependent, **or** the following **Exception** applies to you.

Exception. You are the custodial parent and would be able to claim the child as your dependent, but the noncustodial parent claims the child as a dependent because—

1. You signed **Form 8332**, Release of Claim to Exemption for Child of Divorced or Separated Parents, or a similar statement, agreeing not to claim the child for 2002 **or**

2. You have a pre-1985 divorce decree or separation agreement that allows the noncustodial parent to claim the child and he or she gives at least \$600 for the child's support in 2002.

Qualifying child of more than one person. If the child meets the conditions to be a qualifying child of more than one person, only one person may treat that child as a qualifying child for 2002. If you and the other person(s) cannot agree on who will treat that child as a qualifying child for 2002, special rules apply to determine who may do so. For details, see the 2001 revision of **Pub. 553**, Highlights of 2001 Tax Changes. However, these rules do not apply if the only other person is your spouse and you plan to file a joint return for 2002.

Reminder. A qualifying child must have a social security number unless he or she was born and died in 2002.

What if My Situation Changes?

If your situation changes after you give Form W-5 to your employer, you will probably need to file a new Form W-5. For example, you must file a new Form W-5 if any of the following applies for 2002.

- You no longer expect to have a qualifying child. Check "**No**" on line 1 of your new Form W-5.
- You no longer expect to be able to claim the EIC for 2002. Check "**No**" on line 1 of your new Form W-5.
- You no longer want advance payments. Check "**No**" on line 1 of your new Form W-5.
- Your spouse files Form W-5 with his or her employer. Check "**Yes**" on line 3 of your new Form W-5.

Note: If you get the EIC with your pay and find you are not eligible, you must pay it back when you file your 2002 Federal income tax return.

Additional Information

How To Claim the EIC

If you are eligible, claim the EIC on your 2002 tax return. See your 2002 tax return instruction booklet.

Additional Credit

You may be able to claim a larger credit when you file your 2002 tax return because your employer cannot give you more than \$1,503 throughout the year with your pay. You may also be able to claim a larger credit if you have more than one qualifying child. But you must file your 2002 tax return to claim any additional credit.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3507 and 6109 and their regulations require you to provide the information requested on Form W-5 and to give it to your employer if you want advance payment of the EIC. As provided by law, we may give the information to the Department of Justice and other Federal agencies. In addition, we may give it to cities, states, and the District of Columbia so they may carry out their tax laws. Failure to provide the requested information may prevent processing of this form; providing false information may subject you to penalties.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 6 min.; **Learning about the law or the form**, 12 min.; and **Preparing the form**, 25 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send the form to this address. Instead, give it to your employer.

