
INCOME

EARNED INCOME

E. EARNED
INCOME
TAX
CREDITS

The earned income tax credit (EITC) is a special tax credit which reduces the Federal tax liability of certain low income working taxpayers. This tax credit may or may not result in a payment to the taxpayer. EITC payments can be received as an advance from an employer or as a refund from IRS.

Exclude from income any EITC payments received January 1, 1991 or later, either as an advance or as a refund, regardless of the tax year involved.

F. ROYALTIES/
HONORARIUM

Royalties are payments to the holder of a copyright or patent. Royalties may also be paid to the owner of a mine, oil well, timber tract, or other resource, for extraction of a product, including proceeds from the direct sale of the product.

An honorarium is an honorary payment, reward, or donation usually received in consideration of services rendered (e.g., guest speaker), for which no payment can be enforced by law.

However, the amount also may include payment for items other than services rendered (e.g., travel expenses and lodging).

Effective December 1991 or later, royalties earned by an individual in connection with any publication of his/her work are earned income (e.g., publication of a manuscript, magazine article, artwork, etc.).

Effective December 1991 or later, the portion of any honorarium **which is received in consideration of services rendered** is earned income. An honorarium which is **not** in consideration of services rendered (e.g., for travel expenses) is unearned income to the extent that it exceeds expenses.

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- a. Verify these payments by examining documents in the individual's possession which reflect:
 - the amount of the payment,
 - the date(s) received, and
 - the frequency of payment, if appropriate.
- b. If the individual has no such evidence in his possession, contact the source of the payment.

Assume that any honoraria received is **in consideration of services rendered**, absent evidence to the contrary. Evidence to the contrary would include a statement or document indicating that part or all of the honoraria is for something other than services rendered (e.g., travel expenses or lodging).