



STATE OF DELAWARE
DEPARTMENT OF FINANCE
DIVISION OF REVENUE
CARVEL STATE BUILDING
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DIVISION OF REVENUE

TECHNICAL INFORMATION MEMORANDUM 95-2

I. INTRODUCTION.

This Technical Information Memorandum constitutes the Division of Revenue's Regulations under a recent amendment to 30 Del. C. §1152.

II. SUMMARY.

These regulations do not bring about any change in any obligation on the part of an employer.

Employers are required by law to deduct and withhold tax from wages or other remuneration and to furnish to each employee on or before January 31 of the succeeding calendar year; or, in the event an employee is terminated before the end of the calendar year, within 30 days from the date of the last payment to the employee; a written statement showing:

- (1) The amount of wages paid by the employer to the employee;
- (2) The amount deducted and withheld as tax; and
- (3) All information required by the Internal Revenue Service regarding the employee's eligibility for the federal earned income tax credit.

This regulation, though required to be issued by the above-cited amendment, does not alter the employer's obligation with regard to the information it must furnish to the employee or to the state or federal government.

III. REGULATION.

An employer may comply with the requirements of 30 Del. C. § 1152 by deducting and withholding taxes from an employee's wages or other remuneration and by providing the employee the required written notice on a federally approved Department of Treasury - Internal Revenue Service Form W-2.

If an employer elects to use a non-federally authorized substitute Form W-2, the employer must provide the employee, in addition to the amount of wages or other remuneration paid and the amount withheld as tax, the information contained in Department of Treasury - Internal Revenue Service Notice 797.

The information required on Notice 797 with regard to the **federal** earned income tax credit is attached to this Technical Information Memorandum.



William M. Remington
Director of Revenue

What Is the EIC?

The EIC for 1993 is a tax credit for certain workers who have a qualifying child (as defined on the back of this notice). It is made up of these three credits:

- **Basic credit.** This credit can be as much as \$1,434 (\$1,511 if you have more than one qualifying child).
- **Extra credit for child born in 1993.** For people who have a qualifying child born in 1993, this credit can be as much as \$388.
- **Health insurance credit.** For people who paid for health insurance in 1993 that covered a qualifying child, this credit can be as much as \$465.

May I Claim the EIC?

You may be able to claim the EIC for 1993 if you work and meet all the following conditions:

- Your 1993 earned income and adjusted gross income are both less than \$23,050. Adjusted gross income generally is the total of your wages, interest, dividends, alimony received, and certain other income minus the total of your allowable deductions for contributions to an IRA, alimony paid, and certain other deductions.
- You have a qualifying child.
- Your filing status is single, married filing a joint return, head of household, or qualifying widow(er) with dependent child.
- You do not file Form 2555, Foreign Earned Income, or Form 2555-EZ, Foreign Earned Income Exclusion.
- You are not a qualifying child of another person.

The 1993 instructions for Forms 1040 and 1040A and Pub. 598, Earned Income Credit, explain in detail who may claim the EIC. You can get them from IRS offices or by calling 1-800-TAX-FORM (1-800-829-3676).

How Do I Claim the EIC?

If you are eligible to claim the EIC, you must fill in and attach Schedule EIC to your 1993 Form 1040A or Form 1040.

Note: The social security number of a qualifying child born before 1993 must generally be shown on Schedule EIC.

If eligible, you can file a tax return and claim the EIC to get a refund even if you have no tax withheld from your pay or owe no tax. For example, if you had no tax withheld in 1993 and owe no tax, but are eligible for a \$330 EIC, you must file a 1993 return to get the \$330 refund.

EIC with your pay. If you are eligible to claim the EIC in 1994, you may be able to get up to \$102 a month with your pay. For details, get Form W-5, Earned Income Credit Advance Payment Certificate, from your employer or by calling the toll-free number above. If you get EIC with your pay, you must file a 1994 tax return.

Who Is a Qualifying Child?

Any child who meets all the following requirements is a **qualifying child**:

- The child is your son, daughter, adopted child, stepchild, foster child, or a descendant (for example, your grandchild) of your son, daughter, or adopted child. A child who is married at the end of 1993 generally must be claimed as your dependent.
 - The child is under age 19 or a full-time student under age 24 at the end of 1993, or is permanently and totally disabled.
 - The child either lived with you in the United States for more than half of 1993 (for all of 1993 if a foster child) OR was born, or died, in 1993 and your home was the child's home while he or she was alive.
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