



What is Earned Income?

Earned income is obtained in two ways:

- Receiving earned income from an employer
- Owning a business

Taxable earned income includes:

- Wages, salaries, tips, and other taxable employee compensation
- Benefits from a union strike
- Disability retirement benefits received prior to minimum retirement age

Net earnings from self-employment:

- You own or operate a business
- You are a minister or member of a religious order
- You are a statutory employee and have income

Income which is not earned income:

- Pay received for work while an inmate in a penal institution
- Interest and dividends
- Pensions or annuities
- Social security
- Unemployment benefits
- Alimony
- Child support

Nontaxable combat pay:

You may combine your nontaxable combat pay with your earned income for the EITC. Including nontaxable combat pay with your earned income may increase or decrease your EITC. The amount will be shown on your W-2 in box 12, with code Q.

