

# MONEY MANAGEMENT

## SPECIAL TAX CREDIT AVAILABLE TO LOW-INCOME WORKERS

One frequently overlooked tax break available to low-income workers is the earned income tax credit (EITC). According to the Nevada Society of CPAs, the credit is worth up to \$1,511 for the 1993 tax year. What's more, as a result of the new tax law, the credit will be worth even more in 1994 and subsequent years.

Not only does the EITC offset any taxes that are owed, but it may also put money into your pocket. Here's why: if the amount of the credit exceeds your tax liability, the difference is refunded to you.

### WHO QUALIFIES FOR THE EITC?

To claim the EITC in 1993, you must have earned income (or adjusted gross income, if greater) of less than \$23,050 and you must have a qualifying child who lived with you in your

main home in the the United States for more than six months in 1993. A qualifying child is your son, daughter, adopted child, grandchild, stepchild or foster child who at the end of 1993 was under age 19, or under age 24 and a full-time student, or any age if permanently and totally disabled.

When estimating your earned income for purposes of the credit, you must include wages, salary, tips, commissions, jury duty pay, union strike benefits, self-employment earnings, as well as certain disability pensions.

If you are married, in order to claim the credit you must also file a joint tax return. However, if your spouse did not live in your household for the last six months of the year and you maintained a home for a child who lived with you for more than half of the year, you may claim the credit as

a head of household.

For the 1994 tax year, you must meet these same requirements, but the income limit increases to \$23,760 if you have one qualifying child and to \$25,290 for two to more qualifying children.

### HOW MUCH IS THE CREDIT WORTH?

For the 1993 tax year, the EITC consists of three parts: a basic credit and supplemental credits for health insurance and new-born children. To qualify for the supplemental credits, you must first qualify for the basic credit.

The maximum basic credit is \$1,434, if you have one qualified child, and \$1,511, if you have more than one child. The maximum credit is gradually reduced on earned income (or adjusted gross income, if greater) in excess of \$12,200. The EITC is

completely phased out for workers with earned income (or adjusted gross income, if greater) over \$23,050.

As long as you are eligible for the EITC and pay health insurance premiums for a child, you may also claim the health insurance credit. This credit is limited to the lesser of \$451 or the amount paid for health insurance premiums.

A supplemental young-child credit is also available if you had a child under the age of one year at the end of 1993. It is computed on the same income base as the basic EITC and is limited to a maximum of \$388. Be aware that this credit may be claimed only for one child. The amount is not increased if you have twins under the age of one.

Also, note that if you claim the supplemental young child credit, you may not claim the child-care credit — a credit that is generally available to low-income earners who pay for child care help in order to work.

### NEW RULES FOR 1994

To simplify the computing of the EITC, the new tax law repealed both the health insurance and young-child credit beginning with the 1994 tax year. At the same time, it increased the amount of the maximum

credit to \$2,038 for one child and to \$2,527 for two or more qualifying children. Phase-out rules apply if your earned income (or adjusted gross income, if greater) is in excess of \$11,000. The maximum EITC credit will increase again in 1995. The amount of earned income you may have to qualify for the EITC will be adjusted annually for inflation.

Be aware too, that effective with the 1994 tax year, the EITC is extended to low-income taxpayers who are at least age 25 and under age 65 who do not have children and who are not the dependents of another tax-

payer.

Finally, CPAs point out that you needn't wait until tax time to request the EITC. You may elect to receive the credit on an advance basis by providing a certificate of eligibility to your employer. Your employer then makes an advance payment of the credit at the time wages are paid.

*Money Management is a weekly column on personal finance prepared and distributed by certified public accountants. Nevada Society of Certified Public Accountants, 5250 Neil Road, Suite 205, Reno, Nevada 89502.*

## BANK OF AMERICA NEVADA INTRODUCES NEW MORTGAGE LOAN BY PHONE SERVICE

Applying for a home loan is now as easy as picking up the telephone. Bank of America Nevada recently introduced "Loan By Phone", a new telephone service that provides Nevadans with the convenience of securing a residential mortgage loan in the privacy of their home or place of business.

The telephone number for his new service is toll-free (1-800-THE-BOFA or 1-800-843-2632) and is answered by lending personnel, not an automated system. The hours of operation are 9:00 a.m. to 6:00 p.m. Monday through Friday.

According to BofA Nevada Chairman and CEO Richard A. Etter, BofA is the first financial institution in the state to offer first mortgage loans over the telephone. He says this service can now cut in half the current application processing time of 45 to 60 days.

"For those customers who are able to supply the bank with complete, accurate information over the telephone, this service is extremely convenient," said Etter. "Loan By Phone customers don't

have to venture out of their home or office until the loan is ready to close."

After the initial phone call, bank personnel verify all of the information for accuracy and mail loan documents to the applicant to be signed. The applicant then mails the documents back to the bank, which prepares the final closing papers.

Though initially developed for rural, outlying areas that do not have branch or lending facilities in close proximity, Loan By Phone is accessible in metropolitan areas.

"We intend to carefully track the success of this program, possibly extending it to include other lending products such as consumer loans and credit lines," said Etter. "We're confident that customers will appreciate the convenience of both applying for a loan from the privacy of their own home or office and the speed of securing a loan over the telephone."

Product descriptions and daily rate updates are also available for clients seeking information only.

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