### EARNED INCOME CREDIT

**Part I**

**Eligibility Requirements**

Complete Parts II and III to determine the amount of refundable credit to which you are entitled based on your information corresponding to taxable year 2021, if you meet all the eligibility requirements established below. If you do not meet all of the following eligibility requirements, do not continue; you are not entitled to claim this credit.

**Requirements:**

1. **Taxpayer and/or spouse, in the case of married taxpayers, must have generated income from wages, salaries, tips, pensions, self-employed industry or business or activity for the production of income, for the taxable year, subject to the limitations established in Section 1052.01 of the Code.**

2. **Taxpayer, spouse or qualified dependents were residents of Puerto Rico during the entire taxable year and at the time of filing the income tax return.**

3. **Taxpayer and spouse, in the case of married taxpayers, must be 19 years of age or older at the end of the taxable year.**

4. **Qualified dependents will only include the taxpayer’s or spouse children who on the last day of the taxable year are eighteen (18) years of age or younger.**

5. **In the case of full-time student dependents, the age as of the last day of the taxable year shall not exceed twenty-five (25) years.**

6. **Taxpayer cannot claim the credit for persons over sixty-five (65) years or older with low income, if claiming the earned income credit.**

### Part II

**Eligibility Determination for the Earned Income Credit**

1. **Determination of Earned Gross Income:**
   - A) **Salaries, wages and tips (Enter the sum of lines 1B and 1C of Part I of the return and lines 6, 7, 8, 9, 11, 12 and 31A, first Column of Part II of Schedule IE Individual or the total of lines 1 and 2 of Part I of Schedule CO Individual, Columns B and C, and lines 6, 7, 8, 9, 11, 12 and 31A, first Column of Part II of each Schedule IE Individual, if you choose the optional computation of tax).**
   - B) **Income from pensions (See instructions)**
   - C) **Gain attributable to a self-employed industry or business or activity for the production of income (Enter the sum of lines 2P through 2S of Part I of the return and lines 31B through 31E, first Column of Part II of Schedule IE Individual or lines 3P through 3S of Part I of Schedule CO Individual, Columns B and C, and lines 31B through 31E, 38, 39, 40 and 41, first Column of Part II of each Schedule IE Individual, if the optional computation of tax is chosen).**
   - D) **Total earned gross income (Add lines 1A through 1G).**

2. **Determination of Net Income from Other Concepts:**
   - A) **Other income (Enter the sum of lines 2A through 2G and 2I through 2L, 2N, 2O and 2T of Part I of the return and line 7, Part II of Schedule H Individual, only if the “Annuity” option was selected in question 2 (or lines 3A through 3G, 3I through 3L, 3N, 3O and 3T of Part I of Schedule CO Individual and line 7, Part II of Schedule H Individual, only if the “Annuity” option was selected in question 2, if you choose the optional computation of tax).**
   - B) **Other exempt income (Schedule IE Individual, Part II, line 43, first Column).**
   - C) **Less:**
     - (i) **Exempt income from services rendered as an employee (Enter the sum of lines 6, 7, 8, 9, 10, 11, 12 and line 31A, first Column of Part II of Schedule IE Individual).**
     - (ii) **Exempt pension amount (Enter the sum of lines 15 and 16, Part II of Schedule IE Individual).**
     - (iii) **Exempt income derived by young people with self-employed industry or business or activity for the production of income with special agreement under Act 135-2014 (Enter the sum of lines 31B through 31E, first Column of Part II of Schedule IE Individual).**
     - (iv) **Exempt amount from income from self-employed industry or business or activity for the production of income (Enter the sum of lines 38 through 41, first Column of Part II of Schedule IE Individual).**
     - (v) **Total adjustments for exempt amounts (Add lines 2C(i) through 2C(iv)).**
   - D) **Total other income (Add lines 2A and 2B and subtract line 2C(v). If this amount is more than $10,000, do not continue and enter zero ("0") on line 27C of Part 3 of the return.**

3. **Total gross earned income for the determination of the earned income credit (Transfer the amounts determined on line 1D, as long as the amount determined on line 2D is $10,000 or less. If the amount determined on line 2D is more than $10,000, do not continue and enter zero ("0") on line 27C of Part 3 of the return).**

4. **Number of qualified dependents, according to the return (See instructions).**

5. **If the total earned gross income determined on line 3 exceeds the following amounts, you do not qualify for this credit. Do not continue and enter zero ("0") on line 27C of Part 3 of the return.**
   - a) Taxpayers without qualified dependent - $26,000 (Married taxpayers filing jointly - $28,000)
   - b) Taxpayers with one (1) qualified dependent (Line 4, Part II) - $31,000 (Married taxpayers filing jointly - $35,000)
   - c) Taxpayers with two (2) qualified dependents (Line 4, Part II) - $37,000 (Married taxpayers filing jointly - $41,000)
   - d) Taxpayers with three (3) or more qualified dependents (Line 4, Part II) - $40,000 (Married taxpayers filing jointly - $44,000)
### Part III: Computation of Earned Income Credit

Determine the earned income credit by selecting the applicable computation, considering the limitation of earned gross income and the number of qualified dependents, as established in Section 1052.01 of the Code.

#### A. Taxpayers with no dependents:

1. If the earned gross income (Line 3, Part II) is not more than $16,000 (or not more than $18,000 in the case of married taxpayers filing jointly), multiply line 3, Part II by 15%. Otherwise, do not complete lines 1 and 2, and continue with line 3.

2. Enter the smaller amount between line 1 and $1,500. Transfer this amount to line 27C of Part 3 of the return.

3. If the earned gross income (Line 3, Part II) is more than $16,000 but not more than $26,000 (or more than $18,000 but not more than $28,000 in the case of married taxpayers filing jointly):
   - Maximum credit to be claimed by taxpayers with no dependents
   - Maximum credit reduction (Subtract $16,000 (or $18,000 in the case of married taxpayers filing jointly)) from the amount on line 3, Part II, multiply said amount by 15% and enter the result here.
   - Total available earned income credit

<table>
<thead>
<tr>
<th>Computation</th>
<th>Result</th>
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<tbody>
<tr>
<td>Line 1</td>
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<td>Line 2</td>
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<td>Line 3</td>
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#### B. Taxpayers with one (1) dependent:

1. If the earned gross income (Line 3, Part II) is not more than $18,000 (or not more than $22,000 in the case of married taxpayers filing jointly), multiply line 3, Part II by 33.98%. Otherwise, do not complete lines 1 and 2, and continue with line 3.

2. Enter the smaller amount between line 1 and $3,500. Transfer this amount to line 27C of Part 3 of the return.

3. If the earned gross income (Line 3, Part II) is more than $18,000 but not more than $31,000 (or more than $22,000 but not more than $35,000 in the case of married taxpayers filing jointly):
   - Maximum credit to be claimed by taxpayers with one (1) dependent
   - Maximum credit reduction (Subtract $18,000 (or $22,000 in the case of married taxpayers filing jointly)) from the amount on line 3, Part II, multiply that amount by 26.92% and enter the result here.
   - Total available earned income credit

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<th>Computation</th>
<th>Result</th>
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<tbody>
<tr>
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<td>Line 2</td>
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<td>Line 3</td>
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#### C. Taxpayers with two (2) dependents:

1. If the earned gross income (Line 3, Part II) is not more than $21,000 (or not more than $25,000 in the case of married taxpayers filing jointly), multiply line 3, Part II by 40%. Otherwise, do not complete lines 1 and 2, and continue with line 3.

2. Enter the smaller amount between line 1 and $5,500. Transfer this amount to line 27C of Part 3 of the return.

3. If the earned gross income (Line 3, Part II) is more than $21,000 but not more than $37,000 (or more than $25,000 but not more than $41,000 in the case of married taxpayers filing jointly):
   - Maximum credit to be claimed by taxpayers with two (2) dependents
   - Maximum credit reduction (Subtract $21,000 (or $25,000 in the case of married taxpayers filing jointly)) from the amount on line 3, Part II, multiply that amount by 34.38% and enter the result here.
   - Total available earned income credit

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<tbody>
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<td>Line 3</td>
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#### D. Taxpayers with three (3) or more dependents:

1. If the earned gross income (Line 3, Part II) is not more than $21,000 (or not more than $25,000 in the case of married taxpayers filing jointly), multiply line 3, Part II by 44.83%. Otherwise, do not complete lines 1 and 2, and continue with line 3.

2. Enter the smaller amount between line 1 and $6,500. Transfer this amount to line 27C of Part 3 of the return.

3. If the earned gross income (Line 3, Part II) is more than $21,000 but not more than $40,000 (or more than $25,000 but not more than $44,000 in the case of married taxpayers filing jointly):
   - Maximum credit to be claimed by taxpayers with three (3) or more dependents
   - Maximum credit reduction (Subtract $21,000 (or $25,000 in the case of married taxpayers filing jointly)) from the amount on line 3, Part II, multiply that amount by 34.21% and enter the result here.
   - Total available earned income credit

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SCHEDULE CT INDIVIDUAL
EARNED INCOME CREDIT

INSTRUCTIONS

This Schedule must be completed by every individual who, at the time of filing his Individual Income Tax Return ("Return"), wishes to request the benefit of the Earned Income Credit ("Credit"). The requirements to determine if the taxpayer is eligible to claim this reimbursable credit are provided under Section 1052.01 of the Puerto Rico Internal Revenue Code of 2011, as amended ("Code"), and the Internal Revenue Circular Letter No. 22-02 of January 27, 2022.

The Credit will only apply to natural persons. Therefore, it is not applicable to estates, trusts, partnerships, corporations of individuals or any other legal entity.

The amount of the Credit to which the eligible individual will be entitled shall be determined based on the earned gross income and the number of qualified dependents. However, the total Credit may be reduced if the taxpayer’s earned gross income exceeds the limit established or each category of eligible individual.

For purposes of the Credit, the following terms have the meaning set forth below:

- **Earned Gross Income**
  
  As provided under Section 1052.01 of the Code and for the purposes of the Credit, the term “earned gross income” includes salaries, wages, tips, pensions, any remuneration for services rendered by an employee to his or her employer, whether exempt or taxable, or other compensation from services rendered as an employee, but only if said amounts are included in the gross income for the taxable year and are duly reported in a Withholding Statement (Form 499R-2/W-2PR), or in the case of pensions from qualified retirement plans, in an Informative Return - Retirement Plans and Annuities (Form 480.7C). In the case of Federal Government pensioners, it also includes the amounts reported in Form 1099-R or any other form used for such purposes by the Federal Government.

  In addition to the previous items, “earned gross income” includes income from an industry, self-employed business or an activity for the production of income by a resident of Puerto Rico that is in compliance with Section 4060.01 of the Code (Merchant’s Registration Certificate), and whose income is subject to social security tax at the federal level and said income is duly reported in an informative return issued under Section 1062.03 (Form 480.6SP) or 1063.01 of the Code and reported on the Return as taxable income.

- **Qualified Dependents**
  
  The term refers to a son, daughter, stepson, stepdaughter, legally adopted child, or foster child, who: (i) at the close of the taxable year is a resident of Puerto Rico; (ii) has not reached 19 years of age, or 26 years in the case of dependents that are full-time students; (iii) qualifies to be claimed or was claimed as a dependent because during said year he or she received more than half of the support of the eligible individual; (iv) has a valid Social Security number or an Adoption Taxpayer Identification number, and (v) has not been claimed as a dependent by another taxpayer on his or her Return for said year, except in the case of parents with children under joint custody.

  It is important to point out that for purposes of the Credit, the term foster child refers only to those eligible dependents under Section 1052.01(h)(3) of the Code, who have been placed under the care of the taxpayer by a competent government agency or by a judgment, decree or order of the court. A competent government agency shall be deemed to be one that has been created and operates under the jurisdiction of the Government of Puerto Rico, the United States and its states, territories or possessions. Therefore, to be considered a foster child, there must be an order from the competent government agency or court ordering the eligible dependent to receive the required care at the taxpayer's residence.

**SPECIFIC INSTRUCTIONS**

**PART I - ELIGIBILITY REQUIREMENTS**

To be entitled to claim the Credit on the Return, the individual must evaluate and ensure that he or she meets all the eligibility requirements established in Section 1052.01 of the Code. If you do not meet all the following requirements, do not complete this Schedule.

1. The taxpayer, spouse (in the case of married taxpayers), and the qualified dependents were residents of Puerto Rico during the entire taxable year for which the credit is claimed and at the time of filing the income tax return.

2. The taxpayer and spouse (in the case of married taxpayers) must have generated earned gross income during the taxable year, as this term is defined above.

3. The taxpayer and spouse (in the case of married taxpayers) cannot be claimed as dependents in other Return for the same taxable year.

4. The taxpayer and spouse (in the case of married taxpayers) must be 19 years of age or older at the end of the taxable year for which the Credit is claimed.

5. Qualified dependents will only include the taxpayer’s or spouse’s children who, on the last day of the taxable year, are 18 years of age or younger. In the case of dependents who are full-time student, the age on the last day of the taxable year shall not exceed 25 years.

6. The taxpayer cannot claim the credit for persons age 65 or older or the credit for low income pensioners, if he or she claims this Credit.

7. The taxpayer and spouse (in the case of married taxpayers) cannot file the Return under the personal status of married filing separately. Married taxpayers who choose to file their return separately will not be eligible to claim this credit.

It is important to point out that, according to provisions of the Code, those individuals who have died at the time of filing their Return are not eligible to claim this credit.

**PART II - ELIGIBILITY DETERMINATION FOR THE EARNED INCOME CREDIT**

As indicated above, the amount of the Credit to which the eligible individual will be entitled shall be determined, among other things, based on the earned gross income.

In the case of married taxpayers filing a joint Return, the credit will be determined based on the total earned gross income from both spouses, regardless of whether or not they choose the optional tax computation provided by Section 1021.03 of the Code.

Every individual who during the taxable year derived net income from interest or dividends, rents or royalties, the sale of capital assets, alimony payments for divorce or separation, or any other type of income not considered earned
Taxpayers without qualified dependents - $26,000 (Married taxpayers filing jointly - $28,000)

Taxpayers with two (2) qualified dependents (Line 4, Part II) - $37,000 (Married taxpayers filing jointly - $41,000)

Taxpayers with three (3) or more qualified dependents (Line 4, Part II) - $40,000 (Married taxpayers filing jointly - $44,000)

PART III - COMPUTATION OF EARNED INCOME CREDIT

Determine the Credit following the indications of each line. Select the applicable computation, considering the number of qualified dependents (Line 4, Part II) and the limitation of the earned gross income, as set forth below:

A. Taxpayers with NO dependents:

If the earned gross income (Line 3, Part II) is not more than $16,000, the Credit will be equal to 15% of the earned gross income, up to a maximum of $1,500.

If the earned gross income is more than $16,000 but is not more than $26,000, the maximum credit of $1,500 shall be reduced by an amount equal to 15% of the earned gross income in excess of $16,000.

In the case of married taxpayers filing a joint return, if the sum of the earned gross income of both spouses is more than $18,000 but is not more than $28,000, the maximum credit of $1,500 shall be reduced by an amount equal to 15% of the earned gross income in excess of $18,000.

B. Taxpayers who have ONE (1) dependent:

If the earned gross income (Line 3, Part II) is not more than $18,000, the Credit will be equal to 33.98% of the earned gross income, up to a maximum of $3,500.

In the case of an individual taxpayer, if the earned gross income is more than $18,000 but is not more than $31,000, the maximum credit of $3,500 shall be reduced by an amount equal to 26.92% of the earned gross income in excess of $18,000.

In the case of married taxpayers filing a joint return, if the sum of the earned gross income of both spouses is more than $22,000, but is not more than $35,000, the maximum credit of $3,500 shall be reduced by an amount equal to 26.92% of the earned gross income in excess of $22,000.

C. Taxpayers who have TWO (2) dependents:

If the earned gross income (Line 3, Part II) is not more than $21,000, the Credit will be equal to 40% of the earned gross income, up to a maximum of $5,500.

In the case of an individual taxpayer, if the earned gross income is more than $21,000 but is not more than $37,000, the maximum credit of $5,500 shall be reduced by an amount equal to 34.38% of the earned gross income in excess of $21,000.

In the case of married taxpayers filing a joint return, if the sum of the earned gross income of both spouses is more than $25,000, but is not more than $41,000, the maximum credit of $5,500 shall be reduced by an amount equal to 34.38% of the earned gross income in excess of $25,000.

D. Taxpayers who have THREE (3) or more dependents:

If the earned gross income (Line 3, Part II) is not more than $21,000, the Credit will be equal to 44.83% of the earned gross income, up to a maximum of $6,500.

In the case of an individual taxpayer, if the earned gross income is more than $21,000 but is not more than $40,000, the maximum credit of $6,500 shall be
reduced by an amount equal to 34.21% of the earned gross income in excess of $21,000.

In the case of married taxpayers filing a joint return, if the sum of the earned gross income of both spouses is more than $25,000, but is not more than $44,000, the maximum credit of $6,500 shall be reduced by an amount equal to 34.21% of the earned gross income in excess of $25,000.

**Refund of the Credit and Restrictions**

The credit shall be claimed against the tax determined after the other credits to which you are entitled. The amount of the credit in excess of the tax determined will be refunded to the taxpayer or can be credited against the estimated tax for the subsequent taxable year.

Every taxpayer who improperly claims this credit will be liable for the payment of a sum equal to the credit unduly claimed as additional income tax, including interest, surcharges, and penalties, as established in the Code, for the year in which the amount of that sum unduly claimed is determined. In the case of fraud, the taxpayer, in addition to being liable for the payment herein provided, will be prevented from benefiting from this Credit for a period of 10 years starting from the year in which the Secretary of the Treasury determines the total of any amount unduly claimed.