



## DEPARTMENT OF ADMINISTRATION

Division of Accounts and Reports

**BILL GRAVES**  
*Governor*

**DAN STANLEY**  
*Secretary of Administration*

**SHIRLEY A. MOSES**  
*Director of Accounts and Reports*  
900 S.W. Jackson, Room 355S  
Landon State Office Building  
Topeka, KS 66612-1220  
(913) 296-2311  
FAX (913) 296-6841

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### INFORMATIONAL CIRCULAR NO: 97-P-011

**DATE:** December 6, 1996

**SUBJECT:** New Tables for Earned Income Credit for 1997

**EFFECTIVE DATE:** January 1, 1997

**A & R CONTACT:** Payroll Services - (913) 296-3146

**APPROVAL:**

**SUMMARY:** New Earned Income Credit Rates Effective for Paychecks Issued On or After January 1, 1997

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The Internal Revenue Service (IRS) has issued the new percentage tables for computing the advance earned income credit (EIC) payments effective for all paychecks issued on or after January 1, 1997.

The attached tables have been prepared for use in computing all EIC payments for wages paid on or after January 1, 1997. When calculating EIC by annualizing, 26 pay periods should be used to arrive at an annualized amount.

As indicated in Accounts and Reports Informational Circular No. 97-P-009, issued December 2, 1996, the Internal Revenue Service has released the 1997 Form W-5, Earned Income Credit Advance Payment Certificate. A copy of the 1997 Form W-5 will be distributed in an informational circular as soon as it is received. The 1996 Form W-5 expires on December 31, 1996. The new form must be filed with the employer before advance 1997 payments can begin. Generally, employees have to successfully answer questions listed on page 2 of Form W-5 in order to be eligible for advance payments. Advance EIC qualifiers must have at least one qualifying child and expect that 1997 earned and adjusted gross income will each be less than \$25,760 (include spouses' income if filing jointly), in addition to meeting other criteria. Employees cannot claim the EIC if planning to file either Form 2555 or 2555-EZ (relating to foreign earned income) for 1997. A nonresident alien may not claim the EIC for 1997 unless married to a U.S. citizen and elects to be taxed as a resident alien for all of 1997.

There are two employee status categories that can effect the amount of advance EIC payments: (a)

## ADVANCE EARNED INCOME CREDIT

## ANNUAL

SINGLE PERSON OR MARRIED WITHOUT SPOUSE FILING CERTIFICATE  
DETERMINING THE AMOUNT OF PAYMENT TO BE MADE

To determine the amount of advance earned income credit use the following tables. Do not deduct the withholding exemption from the gross wages.

IF THE AMOUNT  
OF WAGES (BEFORE  
DEDUCTING WITHHOLDING  
ALLOWANCES) IS:

THE AMOUNT OF PAYMENT TO BE  
MADE SHALL BE:

| <u>OVER</u> | <u>BUT NOT OVER</u> |
|-------------|---------------------|
| \$ 0.00     | \$ 6,500.00         |
| \$ 6,500.00 | 11,930.00           |
| \$11,930.00 |                     |

20.40% OF WAGES  
\$1,326.00  
\$1,326.00 LESS 9.588% OF WAGES  
IN EXCESS OF \$11,930.00

## ANNUAL

## MARRIED PERSON WITH BOTH SPOUSES FILING CERTIFICATE

IF THE AMOUNT  
OF WAGES (BEFORE  
DEDUCTING WITHHOLDING  
ALLOWANCES) IS:

THE AMOUNT OF PAYMENT TO BE  
MADE SHALL BE:

| <u>OVER</u> | <u>BUT NOT OVER</u> |
|-------------|---------------------|
| \$ 0.00     | \$ 3,250.00         |
| \$3,250.00  | 5,965.00            |
| \$5,965.00  |                     |

20.40% OF WAGES  
\$663.00  
\$663.00 LESS 9.588% OF WAGES  
IN EXCESS OF \$5,965.00

single or married without spouse filing certificate, and (b) married with both spouses filing certificate. Married employees must indicate on Form W-5 if their spouse receives advance EIC payments. When updating the employee's EIC status in SHARP, please verify that the federal tax data record correctly reflects the employee's status as shown on the completed Form W-5.

The Department of Administration will be updating the existing SHARP federal tax data records on December 23, 1996, for all employees currently claiming the EIC to reflect an Earned Income Credit status of 'Not applicable'. The tax data record updates will be effective January 1, 1997. On-line agencies must enter a new effective-dated row into SHARP for employees who wish to claim the EIC in calendar year 1997; paper user agencies should submit an employee data sheet to the Division of Personnel Services for employees who wish to claim the EIC in 1997. The new tax data row should be added effective January 2, 1997. Please refer to Pages 19 through 28 of the *SHARP Payroll Participant Guide (Rev. 10-96)* for specific instructions on entering employee tax data information.

The Division of Accounts and Reports will provide a listing to agencies which identifies all employees whose EIC status was updated in SHARP on December 23, 1996. The listing will include department, employee ID, name, SSN, and EIC exempt status.

The Department of Administration will make all of the necessary changes in the computation of EIC for SHARP agencies. Regents institutions are responsible for implementing the new EIC rates in their respective payroll systems effective with all payroll warrants issued on or after January 1, 1997.

Attachments