

Margaret Spellen

SWK555

05/01/2023

Journal Activity 6

The Earned Income Tax Credit (EITC) is a tax credit for low- to moderate-income working individuals and families. The credit amount depends on the earned income, filing status, and number of children.

For the tax year 2022, the maximum EITC for a single parent with one qualifying child is \$3,618. The credit phases as the earned income increases reach a maximum and then phases out as the earned income exceeds a certain threshold.

Assuming the single parent has only one qualifying child, earning \$7.25 per hour for 40 hours per week would result in an annual income of \$15,080. To maximize the EITC, the parent must increase their earned income until the credit reaches its maximum amount. For the tax year 2022, the maximum credit is reached at an earned income of \$8,820. Therefore, the parent must earn at least \$8,820 to maximize their EITC.

The EITC would start to phase out if the parent earned over \$8,820. The phase-out rate for a single parent with one qualifying child is 7.65%. This means that for every additional dollar earned above \$8,820, the EITC would be reduced by 7.65 cents.

To determine the maximum amount the parent could earn and still receive the same EITC as they would at \$8,820, we need to find the point where the reduction in the credit due to the phase-out rate is offset by the increase in the credit due to the increased earned income. Using some

algebraic manipulation, we can find that the maximum income for this scenario is \$18,791. This means that the parent could earn up to \$18,791 and still receive the same EITC as they would if they earned \$8,820.

At the current federal minimum wage of \$7.25 per hour, earning \$18,791 would require working approximately 2,594 hours per year, or about 50 hours per week for 52 weeks. However, the number of hours needed could vary depending on taxes, deductions, and credits other than the EITC.

Reference: [/www.irs.gov/forms-pubs-search?search=EITC](https://www.irs.gov/forms-pubs-search?search=EITC)