

## Section 32.—Earned Income

*26 CFR : 1.32-2: Earned income credit for taxable years beginning after December 31, 1978.*

*(Also: § 1231. )*

**Earned income credit; disqualified income.** Gain that is treated as long-term capital gain under section 1231(a)(1) of the Code is not disqualified income for purposes of the earned income credit.

### Rev. Rul. 98-56

Section 32 of the Internal Revenue Code allows an earned income credit to eligible individuals whose income does not exceed certain limits. Section 32(i) denies the earned income credit to an otherwise eligible individual if the individual's "disqualified income" exceeds a specified level for the taxable year for which the credit is claimed. Disqualified income is income specified in § 32(i)(2). Gain that is treated as long-term capital gain under § 1231(a)(1) is not disqualified income for purposes of § 32(i).

### DRAFTING INFORMATION

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