

Support: The child must not have provided more than half of the financial support for himself or herself.

Citizenship: The child must be a U.S. citizen, U.S. national, or U.S. resident alien.

Residency: The child must live with you for more than half the year.

Child and Dependent Care Credit

This credit was created to help defray the cost of childcare for working parents.

Requirements:

- The care must be provided so that you and your spouse can work.
- A qualifying child is your child or dependent who was claimed on your tax return and is under 13 years old when the care is provided.
- You must have earned income. If one spouse is a full time student or if he is mentally or physically unable to care for himself then he will be considered as having earned income.
- You cannot claim this tax credit if you file married filing separately.

- The childcare payments cannot be made to your spouse or a qualifying family member. You must identify the care provider on your return.
- The child or the spouse must have lived with you for half the year.
- Taxpayers who pay for care of a spouse or dependent who is physically or mentally incapable of caring for himself can also receive this credit

You can claim expenses of up to \$3,000 for one child and \$6,000 for two or more qualifying children. The credit is calculated based on your income and your childcare expenses. This is a non-refundable credit. In addition, this credit does not have an income requirement, therefore, all income levels can claim this credit, but it does get smaller for higher income people.

If you have any questions about tax credits that you may be eligible for we encourage you to seek out filing advice from an IRS sponsored site, such as VITA. Here is a link where you can find more information about VITA: <https://www.irs.gov/individuals/free-tax-return-preparation-for-you-by-volunteers>. Please note that our Tax Clinic does not handle routine income tax preparation, but we may be able to assist you with post-filing controversies.

Tax Credits For Families



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What are Tax Credits?

Having a family can be expensive, and therefore, the government has created a number of federal income tax credits to help offset the expenses that families incur.

Tax credits reduce your tax liability dollar for dollar. This means that a taxpayer who has \$1,000 in tax credits will have his tax liability reduced by \$1,000. A deduction is another common way that taxpayers can reduce their liability, but deductions only reduce taxable income by a percentage. For example, if you are in the 25% tax bracket, a \$1,000 deduction saves you \$250 in taxes ($0.25 \times \$1,000 = \250).

Tax credits can be refundable or non-refundable credits. Refundable credits are valuable to working families. A refundable credit allows you to receive the full credit, even if your liability is below \$0 after the full credit has been applied. For example, if you have a \$300 refundable credit and you owe \$200 in taxes, you will receive a \$100 check from the IRS. A non-refundable credit, on the other hand, will reduce your taxes only to the extent that you have a liability. As a result, in the example above the taxpayer will not get the \$100 check if it is a non-refundable tax credit.

Earned Income Tax Credit

This tax credit benefits low-income working families. In order to qualify for the EITC you must have earned income, such as wages or self-employment earnings. This is a refundable tax credit, and is particularly valuable for taxpayers who have a qualifying child.

Who counts as a child for the EITC:

Your daughter, son, adopted child, stepchild, foster child or a descendant such as your grandchild.

Your brother, sister, half brother, half sister, stepbrother, stepsister or a descendant such as your niece or nephew

Residency:

The child must live with you in the U.S. for more than half the year.

Age of the child:

The child must be younger than you.

At the end of the filing year the child must be younger than 19 years old or younger than 24 years old and a full-time student.

2016 EITC income requirements:

You may be eligible for the EITC if your adjusted gross income is less than the following thresholds:

Single, Head of Household or Widowed

No children: \$14,880

One child: \$39,296

Two children: \$44,648

Three or more children: \$47,955

Married Filing Jointly*

No children: \$20,430

One child: \$44,846

Two children: \$50,198

Three or more children: \$53,505

***You will not receive the EITC if you file married filing separately.**

Child Tax Credit

This is another refundable credit for working families. You may be able to claim as much as \$1,000 for each qualifying child.

This is a refundable credit. The child has to meet a 6-part test. The test considers the following factors: age, dependent, relationship, support, citizenship, and residence.

Age/ Dependent: The child must be under 17 years old at the end of the tax year and you must claim the child as your dependent.

Relationship: A child with the following relationships will qualify as a child under this credit: your child, an adopted child, a stepchild, a foster child placed with you by an authorized agency, brothers, sisters, stepsiblings, nieces, nephews, and grandchildren.