

## Are You Aware?

A Bi-weekly Feature

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### Tax Credits For Families

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Too soon, April 15 will be here and people will be frantically filing their 2005 taxes. But what does this mean for your family? There are many credits taxpayers may take for various life events that often times go overlooked. Below are just a few credits specifically for families, taken from the Internal Revenue Service website ([www.irs.gov](http://www.irs.gov)).

#### Earned Income Tax Credit

The Earned Income Tax Credit (EITC) sometimes called the Earned Income Credit (EIC), is a refundable federal income tax credit for low-income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes and to provide an incentive to work. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit.

To qualify, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough money to be obligated to file a tax return.

The EITC has no effect on certain welfare benefits. In most cases, EITC payments will not be used to determine eligibility for Medicaid, Supplemental Security Income (SSI), food stamps, low-income housing or most Temporary Assistance for Needy Families (TANF) payments.

#### Child and Dependant Care Credit

If you paid someone to care for a child or a dependent so you could work, you may be able to reduce your tax by claiming the credit for child and dependent care expenses on your federal income tax return, according to the IRS. This credit is available to people who, in order to work or to look for work, have to pay for child care services for dependents under age 13. The credit is also available if you paid for care of a spouse or a dependent of any age who is physically or mentally incapable of self-care.

The credit is a percentage, based on your adjusted gross income, of the amount of work-related child and dependent care expenses you paid to a care provider. The credit can range from 20 to 35 percent of your qualifying expenses, depending upon your income.

### **Child Tax Credit**

With the Child Tax Credit, you may be able to reduce the federal income tax you owe by up to \$1,000 for each qualifying child under age 17. A qualifying child for this credit is someone who:

1. Is claimed as your dependent,
2. Was under age 17 at the end of 2004,
3. Is your son, daughter, adopted child, grandchild, stepchild or eligible foster child, your sibling, stepsibling or their descendant, and
4. Is a U.S. citizen or resident alien.

The credit is limited if your modified adjusted gross income is above a certain amount. The amount at which this phase-out begins varies depending on your filing status:

- Married Filing Jointly \$110,000
- Married Filing Separately \$55,000
- All others \$75,000

For more information on these and other tax credits go to [www.irs.gov](http://www.irs.gov) or the following resources:

**Volunteer Income Tax Assistance:** A free assistance program, run by the IRS and staffed by volunteers. 1-800-829-1040 or [www.irs.gov](http://www.irs.gov)

**National Women's Law Center :** 202-588-5180 or [www.nwlc.org](http://www.nwlc.org)

**Center for Budget and Policy Priorities:** 202-408-1080 or [www.cbpp.org](http://www.cbpp.org)

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