

FAMILY TAX CREDITS



Questions & Answers about the Child Tax Credit, Tax Year 2012

The federal **Child Tax Credit** is designed to offset some of the costs of raising children. The following questions and answers will help you feel more comfortable spreading the word about the federal **Child Tax Credit**. But you should not try to answer specific questions about any individual's or family's taxes!

1. What is the federal Child Tax Credit?

The federal **Child Tax Credit** can provide a family up to \$1,000 in tax assistance for each qualifying child under age 17.

2. Who is eligible for the Child Tax Credit?

To be eligible for a **Child Tax Credit**, a tax filer must:

- Have a qualifying child who was under age 17 on December 31, 2012; *and*
- Have an adjusted gross income (AGI) during 2012 below specified limits, depending on filing status and number of qualifying children (see Question 3).

"Adjusted gross income" is the amount a tax filer enters on line 38 of Form 1040, line 22 of Form 1040A, or line 37 of Form 1040NR. In general, adjusted gross income is gross income, minus certain allowable deductions. It includes wages, salaries, and tips; net income from self-employment; unemployment compensation; alimony and taxable interest received. It generally does not include child support payments received, TANF benefits, or student loan interest and alimony paid.

3. How much can a tax filer earn and be eligible for the Child Tax Credit?

The following chart illustrates the maximum AGI tax filers with one, two, or three qualifying children can have in 2012 and still be eligible for the **Child Tax Credit**:

Number of Qualifying Children	Filing Status: Single, Head of Household, or Qualifying Widow(er)	Filing Status: Married Filing Separately	Filing Status: Married Filing Jointly
One	Maximum AGI: \$94,000	Maximum AGI: \$74,000	Maximum AGI: \$129,000
Two	Maximum AGI: \$114,000	Maximum AGI: \$94,000	Maximum AGI: \$149,000
Three	Maximum AGI: \$134,000	Maximum AGI: \$114,000	Maximum AGI: \$169,000

Tax filers who are married filing jointly must include their spouse's income in calculating their AGI. The maximum AGI for each filing status increases by \$20,000 with each additional qualifying child.

4. When is a child a qualifying child who can be claimed for the Child Tax Credit?

A qualifying child for the **Child Tax Credit** is an individual who:

- Is the tax filer's child, stepchild, adopted child (or child lawfully placed with the tax filer for legal adoption), foster child (placed with the tax filer by an authorized placement agency or court action), sibling, half-sibling, step-sibling, or a descendant of any of these individuals (e.g., grandchild, niece); *and*
- Is under age 17; *and*
- Is younger than the tax filer (or the tax filer's spouse, if married filing jointly); *and*
- Did not provide over half of his or her own support for 2012; *and*
- Is claimed as a dependent by the tax filer; *and*
- Did not file a joint return with a spouse for 2012, unless only to claim a refund; *and*
- Lived with the tax filer in his or her main home for more than half the year (there are special rules for children of certain divorced or separated parents (see Question 6), and for children who were born or died during 2012, were temporarily absent, or were kidnapped); *and*
- Is a U.S. citizen, national, or resident alien (except certain adopted children).

5. What if a tax filer's qualifying child is also the qualifying child of another person?

If the other person is the tax filer's spouse with whom he or she is filing a joint return, the answer is simple: the tax filer and his or her spouse can claim the child together on their joint return. But there are other situations in which a child might be the qualifying child of more than one person.

If more than one person can claim a child as a "qualifying child" in 2012, the following rules generally apply:

If more than one tax filer can claim a child and...	Then the child will be treated as the qualifying child of the...
Only one is the child's parent,	parent.
Two are parents and they do not file a joint return,	parent who lived with the child for the longer period of time in 2012.
Two are parents, they do not file a joint return, and the child lived with each parent the same amount of time in 2012,	parent with the higher adjusted gross income in 2012.
None is the child's parent,	person with the highest adjusted gross income in 2012.

Under some limited circumstances, when more than one tax filer is eligible to claim a child as his or her "qualifying child," the tax filers can decide together which one of them will claim the child on his or her tax return. For example:

- If both a parent and a non-parent meet the requirements for claiming a child as a "qualifying child" (see Question 4), they can decide together who will claim the child as a "qualifying child" only if the non-parent's AGI is higher than the AGI of any of the child's parents who can claim the child. For example, if a child lived with her mother and grandmother for more than six months during the tax year, the mother could agree to let the grandmother claim the child as a qualifying child—if, and only if, the grandmother's AGI is higher than the mother's.
- If the married parents of a child, both of whom meet the requirements for claiming the child as a "qualifying child" (see Question 4), live apart, but are not divorced or legally separated, the parents can decide together who will claim the child as a "qualifying child."
- If both unmarried parents of a child meet the requirements for claiming the child as a "qualifying child" (see Question 4), the parents can decide together who will claim the child as a "qualifying child."

The person who properly claims the child as a "qualifying child" will be able to claim the **Child Tax Credit** and other tax benefits for that child (including the **Earned Income Tax Credit**, the **Child and Dependent Care Tax Credit**, dependent exemption, and head of household filing status) for 2012. Family members cannot decide to split them up for that child, unless the special rules for divorced and separated parents apply (see Question 6).

For more information, see IRS Publication 501.

6. The tax filer has custody of his or her child but is releasing his or her claim to the dependency exemption for 2012 for that child to the noncustodial parent. Can the tax filer claim the Child Tax Credit?

No. If the tax filer signed Form 8332 or a similar statement, agreeing not to claim the child as a dependent for 2012, he or she is not entitled to claim the child as a qualifying child for the **Child Tax Credit**. Under these circumstances, the noncustodial parent may claim the **Child Tax Credit**, even if that parent lived with the child for less than six months in 2012, if that parent meets the other eligibility requirements. But, if the tax filer lived with the child for more than six months and a longer period of time than the other parent in 2012, he or she still may claim the **Earned Income Tax Credit** and **Child and Dependent Care Tax Credit** for that child, if he or she meets the other eligibility requirements for those credits.

7. Can same-sex couples claim the Child Tax Credit?

Although some same-sex couples may be legally married under state law or the law of another country, under current federal law they may not file as married

for federal tax purposes. However, one member of a same-sex couple, whether married or unmarried, may claim the **Child Tax Credit** if that individual meets the rules described in Questions 4 and 5 above.

8. How much can a tax filer get from the Child Tax Credit?

The size of a tax filer’s credit depends on income and the number of qualifying children. If the filer’s earned income in 2012 was below \$3,000, his or her credit will be limited by the amount, if any, of federal income tax liability that he or she has. (Special rules for determining earned income apply to a person with 2012 nontaxable combat pay.)

“Earned income” includes wages, salaries, and tips; net earnings from self-employment; and scholarships and fellowships. It generally does not include bank interest, Social Security or TANF benefits, alimony, or unemployment compensation. (Special rules for determining earned income apply to persons with 2012 nontaxable combat pay.)

The following table shows the credit a tax filer may be eligible for if there are one, two, or three qualifying children. The maximum credit is larger for tax filers with more than three qualifying children.

Maximum Child Tax Credit Available for Tax Filers with One, Two, or Three Qualifying Children, by Income Level

Adjusted Gross Income			Maximum Credit		
Single, Head of Household, or Qualifying Widow(er)	Married Filing Jointly	Married Filing Separately	One Qualifying Child	Two Qualifying Children	Three Qualifying Children
\$0-\$75,000	\$0-\$110,000	\$0-\$55,000	\$1,000	\$2,000	\$3,000
\$75,001-\$80,000	\$110,001-\$115,000	\$55,001-\$60,000	\$950-\$750	\$1,950-\$1,750	\$2,950-\$2,750
\$80,001-\$85,000	\$115,001-\$120,000	\$60,001-\$65,000	\$700-\$500	\$1,700-\$1,500	\$2,700-\$2,500
\$85,001-\$90,000	\$120,001-\$125,000	\$65,001-\$70,000	\$450-\$250	\$1,450-\$1,250	\$2,450-\$2,250
\$90,001-\$94,000	\$125,001-\$129,000	\$70,001-\$74,000	\$200-\$50	\$1,200-\$1,050	\$2,200-\$2,050
\$94,001-\$104,000	\$129,001-\$139,000	\$74,001-\$84,000	\$0	\$1,000-\$550	\$2,000-\$1,550
\$104,001-\$114,000	\$139,001-\$149,000	\$84,001-\$94,000	\$0	\$500-\$50	\$1,550-\$1,050
\$114,001-\$124,000	\$149,001-\$159,000	\$94,001-\$104,000	\$0	\$0	\$1,000-\$550
\$124,001-\$134,000	\$159,001-\$169,000	\$104,001-\$114,000	\$0	\$0	\$550-\$50
\$134,001+	\$169,001+	\$114,001+	\$0	\$0	\$0

Married tax filers filing jointly must include income from both spouses when calculating their AGI.

9. Can a tax filer receive a refund from the Child Tax Credit?

Yes, a tax filer with little or no federal income tax liability can still take advantage of the **Child Tax Credit** by receiving part of it as a refund. For tax year 2012, tax filers earning more than \$3,000 (together with a spouse, if married filing jointly) may receive a refund from the **Child Tax Credit**. The amount of the refund is determined by using one of two formulas. One formula may be used by all filers, but an alternate formula may only be used by filers with three or more children.

To calculate a filer's refund under the general formula, first use the **Child Tax Credit** to eliminate any income tax liability owed, and figure out how much of the **Child Tax Credit** remains unused. The refund the filer will receive is equal to either that unused portion or 15% of the earnings over \$3,000, whichever is lower. If the filer has no income tax liability at all, then the refund is equal to the total value of the **Child Tax Credit** for which the filer is eligible or 15% of the earnings over \$3,000, whichever is lower.

For example, assume a single parent with one child and \$13,000 in earnings. The maximum **Child Tax Credit** available for one child is \$1,000. Since the family owes no federal income taxes, the value of this refund will be equal to \$1,000 or 15% of the family's earnings over \$3,000 ($15\% \times \$10,000 = \$1,500$), whichever is lower. Because \$1,000 is less than \$1,500, the value of this family's refund is \$1,000.

If there are three or more children in a family, the tax filer can also calculate the refund according to an alternate formula and choose the formula that provides a higher refund. Under the alternate formula, the filer must first calculate the total amount of payroll taxes that have been withheld from the filer's (and the filer's spouse's, if married filing jointly) paycheck in 2012. From this amount, the filer must subtract the total amount of the **Earned Income Tax Credit (EITC)** received, including any portion of the **EITC** received as a tax refund. The filer can receive as a **Child Tax Credit** refund the amount by which the payroll taxes paid exceed the **EITC** received, up to the full amount of the **Child Tax Credit** for which the filer is eligible.

Note: For more information about the alternative ways of calculating the refundable **Child Tax Credit** and for worksheets that will walk you through each of these calculations, see IRS Form 8812 and Publication 972.

10. If a tax filer receives a Child Tax Credit Refund, will the family's Temporary Assistance for Needy Families benefits or other government benefits be reduced?

No. The amount of a tax filer's **Child Tax Credit** refund will not be used to determine whether the family is eligible for, or how much the family will receive in, Temporary Assistance for Needy Families benefits, Food Stamps (now called SNAP), Medicaid, Supplemental Security Income, low-income housing assistance, or other federally funded federal, state, or local benefits, as long as the family spends the refund within 12 months of the month when it is received.

11. Does a tax filer have to calculate child care expenses or other child-rearing expenses to claim the Child Tax Credit?

No. Although the **Child Tax Credit** can be used to help families with children pay for these kinds of expenses, tax filers do not have to show that they had any particular expenses to claim the **Child Tax Credit**.

12. Can a tax filer claim the Child Tax Credit if he or she also claims the Child and Dependent Care Tax Credit and the Earned Income Tax Credit?

Yes, if a tax filer is eligible for these credits, he or she can claim benefits under all three provisions and lower his or her taxes or increase his or her refund.

13. What does a tax filer need to do to claim the Child Tax Credit?

Even if a tax filer doesn't owe any federal income taxes, he or she must file a tax return to claim the **Child Tax Credit**. The filer must file either Form 1040, 1040A, or 1040NR (not 1040EZ). The filer must provide a Social Security Number (SSN) or an Individual Taxpayer Identification Number (ITIN) for him or herself, his or her spouse if married, and any qualifying child(ren). (Under current federal law, this does not apply to same-sex couples who are legally married under state law or the law of another country.) If the tax filer is claiming the credit for a child who was placed in his or her home for adoption for whom he or she cannot get an SSN, he or she must get an Adoption Taxpayer Identification Number (ATIN).

If the tax filer is eligible for an SSN, he or she should apply for it rather than for an ITIN. The tax filer must get the SSN before filing the tax return. It can take some time to receive an SSN, so the tax filer should apply well in advance. To apply for an SSN, he or she should complete Form SS-5 from the Social Security Administration, available at <http://www.ssa.gov/online/ss-5.html>. If the tax filer is applying for an ITIN, he or she must file his or her application for an ITIN at the same time that he or she files the tax return. To apply for an ITIN, the tax filer should complete Form W-7 from the Internal Revenue Service, available at <http://www.irs.gov/pub/irs-pdf/fw7.pdf>. (Note that the IRS implemented new procedures for ITIN applications submitted on or after January 1st, 2013. Visit [http://www.irs.gov/Individuals/Individual-Taxpayer-Identification-Number-\(ITIN\)](http://www.irs.gov/Individuals/Individual-Taxpayer-Identification-Number-(ITIN)) for more information.) To apply for an ATIN, the tax filer must file Form W-7A, available from the Internal Revenue Service at <http://www.irs.gov/pub/irs-pdf/fw7a.pdf>, several weeks before he or she plans to file a tax return.

To claim the refundable component of the **Child Tax Credit**, a tax filer must file Form 8812. Form 8812 and Publication 972 do not come with either Form 1040 or 1040A; they are available at <http://www.irs.gov/forms-pubs/index.html>.

14. Did the “fiscal cliff” deal affect my ability to claim the Child Tax Credit on my 2012 tax return, or the amount I will get from the credit?

No. None of the budget negotiations that took place in 2012, including the “fiscal cliff” negotiations, changed the **Child Tax Credit** for tax year 2012 or for the next five years.

15. If I can’t afford to get my taxes prepared, can I get any help?

Yes. There are many resources available for low- and moderate-income families who need help preparing their taxes, including the IRS-sponsored VITA program and the AARP-sponsored Tax-Aide program. Visit <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers> for more information. Additionally, the Free File Alliance partners with the IRS to help low- and moderate-income families file their taxes online for free. Visit them at <http://www.freefilealliance.org/>.

For more information:

Information about other tax benefits available to families with children is available on the National Women’s Law Center’s website at www.nwlc.org/lowery-ourtaxes. Further information is also available from the Internal Revenue Service on its website, www.irs.gov, or by calling 1-800-TAX-1040 toll-free.