



TAX & BUDGET

FAMILY TAX CREDITS

Family tax credits, which are designed to help low-wage workers boost their earnings and meet their expenses, can make a huge difference in the lives of women and families. Tax credits can be worth thousands of dollars to working families, which helps them make ends meet. Lawmakers need to protect and strengthen family tax credits, which help millions escape poverty and improve their families' well-being every year.

The Earned Income Tax Credit (EITC) is a federal tax credit for low- and moderate-income workers that is designed to encourage and reward work. It lifts millions of people out of poverty and strengthens low- and middle-income families by increasing overall earnings. It is refundable, so that workers with low or moderate earnings who pay other taxes but have little or no federal income tax liability can benefit from the credit.

The amount of the EITC depends on income, number of children, and marital status. For tax year 2018, the EITC is worth a maximum of **\$6,431**, with a smaller credit for workers not claiming children.

The Child and Dependent Care Tax Credit (CDCTC) is a nonrefundable federal tax credit for families with work-related child or dependent care expenses. It is designed to help families afford child care that enables them to work.

In order to receive the CDCTC, tax filers must pay for care for qualifying children under age 13 or qualifying dependents in order to work, look for work, or (in some cases) go to school. The amount of the credit is a percentage (between 20 and 35 percent, depending on the families' income) of their child or dependent care expenses (up to \$3,000 for one child or dependent and up to \$6,000 for two or more children or dependents). The credit is worth a maximum of **\$1,050** for one child or dependent, and **\$2,100** for two or more children or dependents.

The Child Tax Credit (CTC) is a federal tax credit, worth up to **\$2,000** per child, designed to help families meet the costs of raising children. It is partially refundable, up to \$1,400 for tax year 2018.

Tax filers must have earnings to receive the CTC as a refund. They can receive 15 percent of their earnings above \$2,500 as a refund, up to the \$1,400 per child limit.

Examples:

Jessica, a single mom with three kids, works in a child care center. She has \$14,500 in income and \$1,500 in child care expenses. For tax year 2018, Jessica would be eligible for an EITC worth \$6,431, a refundable CTC worth \$4,200, and a CDCTC that is theoretically worth \$525. At that level of income, she will have federal tax liability of \$495 before credits, assuming she claims the standard deduction. Because the EITC and CTC are refundable, she could still receive those tax benefits. But she would receive a CDCTC of only \$495, because it is nonrefundable.

Nicole and David, a married couple who both work full-time at minimum wage jobs, support their two children with their combined annual income of \$24,000, and spend \$4,000 per year on child care. For tax year 2018, Nicole and David would be eligible for an EITC worth \$5,696, a refundable CTC worth \$2,800, and a CDCTC theoretically worth \$1,120. However, they would receive a CDCTC of only \$1,100 because they would have federal tax liability of \$1,100 before credits, assuming they claim the standard deduction.

These family tax credits help women supporting their families on low wages.

