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10 TIPS - CHILD TAX CREDIT

By Victor Sy, CPA

The Child Tax Credit may be worth as much as \$1,000 per qualifying child depending upon your income. Here are 10 tips about this credit.

1. **Amount:** You may be able to reduce your federal income tax by up to \$1,000 for each qualifying child.
2. **Qualification:** A qualifying child for this credit is someone who meets the qualifying criteria of six tests: age, relationship, support, dependent, citizenship, and residence.
3. **Age Test:** To qualify, a child must be 16 years or younger at the end of the year.
4. **Relationship Test:** To claim a child for purposes of the Child Tax Credit, they must either be your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister or a descendant of any of these individuals, which includes your grandchild, niece or nephew. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.
5. **Support Test:** In order to claim a child for this credit, the child must not have provided more than half of their own support.
6. **Dependent Test:** You must claim the child as a dependent on your federal tax return.
7. **Citizenship Test:** To meet the citizenship test, the child must be a U.S. citizen, U.S. national, or U.S. resident alien.
8. **Residence Test:** The child must have lived with you for more than half of the year. There are some exceptions to the residence test, which can be found in IRS Publication 972, Child Tax Credit.
9. **Limitations:** The credit is phased out (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. For married taxpayers filing a joint return, the phase-out begins at \$110,000. For married taxpayers filing a separate return, it begins at \$55,000. For all other taxpayers, the phase-out begins at \$75,000. In addition, the Child Tax Credit is generally limited by the amount of the income tax you owe as well as any alternative minimum tax you owe.
10. **Additional Child Tax Credit:** If the amount of your Child Tax Credit is greater than the amount of income tax you owe, you may be able to claim the Additional Child Tax Credit.