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10 TAX BENEFITS FOR PARENTS WITH CHILDREN

By Victor Sy, CPA

We do get tax benefits from our lovable adorable little rascals:

1. [Dependency exemption](#): A child can be claimed as a dependent starting from the year they are born. That's a deduction of \$3,700 for 2011.
2. [Child and Dependent Care Credit](#): You may be able to claim the credit if you pay someone to care for your child under age 13 (12 and under) so that you can work (or look for work).
3. [Child Tax Credit](#): You may be able to take this credit on your tax return for each of your children through age 16. If you do not benefit from the full amount of the Child Tax Credit, you may be eligible for the Additional Child Tax Credit.
4. [Earned Income Tax Credit \(EITC\)](#): EITC is a benefit for certain people who work and have earned income from wages, self-employment or farming. EITC reduces the amount of tax you owe and may also give you a refund.
5. [Higher Education Credits](#): Education tax credits can help offset the costs of education. The American Opportunity and the Lifetime Learning Credit are education credits that reduce your federal income tax dollar-for-dollar, unlike a deduction, which reduces your taxable income.
6. [Student loan Interest](#): You may be able to deduct interest you pay on a qualified student loan. The deduction is claimed as an adjustment to income so you do not need to itemize your deductions.
7. [Adoption Credit](#): You may be able to take a tax credit for qualifying expenses paid to adopt an eligible child. Taxpayers claiming the adoption credit must file a paper tax return because adoption-related documentation must be included.
8. [Children with Earned Income](#): If your child has income earned from working they may be required to file a tax return.
9. [Children with Investment Income](#): Under certain circumstances a child's investment income may be taxed at the parent's tax rate.
10. [Parent can Employ their children](#): This teaches your children work ethics at an early age. Parents can deduct their payroll as expense while the kids do not have to pay income tax on amounts that get zeroed out by standard deductions and exemptions. Your kids can also contribute to their own IRAs from their earnings. Good start. It's a win-win situation.