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FEDERAL TAX CREDITS

(Alphabetical)

By Victor Sy, CPA, MBA

1. **Additional Tax credit - Up to \$1,000 per child:**
 - A. For taxpayers who do not claim the full \$1,000 per child and
 - B. Have one or more qualifying children and more than \$3,000 of earned income, or
 - C. Three or more qualifying children.

2. **Adoption Expense Credit/Exclusion - Up to \$13,360 per eligible child:**
 - A. Expenses incurred in the legal adoption of a child under 18, or
 - B. A physically or mentally incapacitated individual (regardless of age).
 - C. For special-needs child, credit or exclusion can be claimed even if taxpayers have no qualified adoption expenses.
 - D. Excess credits before 2010 are non-refundable and can be carried forward to the next 5 years.
 - E. For 2010 & 2011, credit is refundable but no carryover.
 - F. Sunsets after 2011.

3. **Child and Dependent Care credit** – Up to 20-35% of qualifying expenses
 - A. Day care expenses for dependents under 13, or
 - B. Incapacitated dependents that allow taxpayer to work or look for work.

4. **Child Tax credit** – Up to \$1,000 per child: For taxpayers with qualifying children under 17

5. **Credit for the Elderly or Disabled** – based on filing status, age & income
 - A. For low income taxpayers age 65 or older,
 - B. Permanently and totally disabled, and
 - C. Has nontaxable SS benefits of less than \$7,500

6. **Earned Income credit** – Up to \$464 for no child, \$3,094 for one child, \$5,112 for two children, and \$5,751 for three or more children.

The credit is totally phased out when adjusted gross income reaches:

 - A. No child - \$13,660 (\$18,740 for joint).
 - B. One child - \$36,052 (\$41,132 for joint)
 - C. Two children - \$40,964 (\$46,044 for joint)
 - D. Three or more children \$43,998 (\$49,078 for joint)

7. **Education credit – American Opportunity Credit** of up to \$2,500 per student
 - A. This replaced and enhanced Hope credit.
 - B. For taxpayers with qualified college or vocational school expenses
 - C. Allows expenses for the first four years of the student's post-secondary education
 - D. Available for students enrolled in a program leading to a degree, certificate or recognized educational credential
 - E. Applicable for 2009 through 2012 only.
 - E. Was set to expire 2010 but was extended through 2012 by the 2010 Tax Relief Act

8. **Education credit - Lifetime learning credit** of up to \$2,000 per taxpayer
 - A. For taxpayers with qualified college or vocational school expenses
 - B. No limit on the number of years for which credit can be claimed per student
 - C. Available for undergraduate, graduate, professional degree students, and

- D. Students acquiring or improving their job skills.
- 9. **Federal Tax paid on Fuels** – depends on type of fuel & use
 - A. For taxpayers who use fuel on a farm for farming purposes,
 - B. Off-highway business use and other qualified uses
- 10. **Foreign Tax credit** – Foreign income tax paid or less than US tax multiplied by ratio of foreign taxable income over total taxable income
 - A. Income tax paid to a foreign country or US possession on income also subject to US federal income tax
 - B. Can be carried back 1 year, or carried forward up to 10 years
- 11. **Health coverage tax credit** – 65% of qualified health insurance cost
 - A. For individuals eligible to receive a trade adjustment allowance (TAA), or
 - B. Individuals who receive pension benefits from Pension Benefit Guaranty Corporation (PBGC).
- 12. **Mortgage Interest credit** – interest paid and credit rate under certificate
 - A. Part of interest paid by first-time homebuyers whose income is below median for that area,
 - B. Must be certified by state or local government to qualify
 - C. Can be carried forward up to 3 years.
- 13. **Prior-year minimum tax credit** – prior years AMT deferral items less current year's regular tax
 - A. Credit allowed against regular tax in future years for part of AMT attributable to deferral items
 - B. Can be carried forward indefinitely.
- 14. **Retirement Savings Contribution credit** – Up to \$2,000 of contributions
 - A. For low-income and middle-income individuals making retirement plan contributions
 - B. Credit is an addition to tax deductible contributions.
- 15. The **energy efficient appliance credit** is **extended** and modified for certain appliances manufactured in **2011**.
- 16. The **energy efficient home credit** for eligible contractors is **extended through 2011**.
 - A. 30% of cost, \$1,500 maximum credit (combined 2009 and 2010 credit).
 - B. For taxpayers' primary residence only.
 - C. Costs for exterior windows and skylights, exterior doors, metal roofs, asphalt roofing, heating systems, air conditioning systems.
 - E. Insulation materials or systems – to reduce heat loss or gain.
- 17. **Making Work Pay Credit**
 - A. Credit is the lesser of 6.2% of taxpayer's earned income or \$400 (\$800 for joint)
 - B. Reduced by \$2 for every \$100 exceeding \$75,000 (\$150,000 for joint)
- 18. **Hire Act and Retention Credit**
 - A. Employer Payroll Tax Holiday – employer is exempt of employer's share of 6.2% of payroll tax.
 - B. Employer Retention Credit – lesser of \$1,000 or 6.2% of wages.
- 19. **Small Business Health Insurance Credit** –for 2010 to 2013, credit is 35%
 - A. Available to Eligible Small Employers that provide non-elective health insurance to employees.
 - B. Employ 25 or less equivalent full time employees .
 - C. Average annual full-time wages of \$50,000 or less.
 - D. Credit is reduced when full-time employees exceed 10 and average annual full-time wages exceeds \$25,000.