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## **FIVE MOST IMPORTANT TAX CREDITS**

By Victor Sy, CPA

A tax credit is a dollar-for-dollar reduction of taxes owed as opposed to a deduction that may yield a certain per cent of return, depending on your tax bracket. Some credits are even refundable, which means you might receive a refund rather than owe any taxes at all. Here are five popular tax credits:

1. The [Earned Income Tax Credit](#) is a refundable credit for certain people who work and have earned income from wages, self-employment or farming. Income, age and the number of qualifying children determine the amount of the credit. EITC reduces the amount of tax you owe and may also give you a refund. For more information see IRS Publication 596, Earned Income Credit.
2. The [Child and Dependent Care Credit](#) is for expenses paid for the care of your qualifying children under age 13, or for a disabled spouse or dependent, to enable you to work or look for work. For more information, see IRS Publication 503, Child and Dependent Care Expenses.
3. The [Child Tax Credit](#) is for people who have a qualifying child. The maximum amount of the credit is \$1,000 for each qualifying child. This credit can be claimed in addition to the credit for child and dependent care expenses. For more information on the Child Tax Credit, see IRS Publication 972, Child Tax Credit.
4. The [Retirement Savings Contributions Credit](#), also known as the Saver's Credit, is designed to help low-to-moderate income workers save for retirement. You may qualify if your income is below a certain limit and you contribute to an IRA or workplace retirement plan, such as a 401(k) plan. The Saver's Credit is available in addition to any other tax savings that apply. For more information, see IRS Publication 590, Individual Retirement Arrangements (IRAs).
5. The [Health Coverage Tax Credit](#) pays up to 80% of the health insurance premiums for eligible Trade Adjustment Assistance recipients and Pension Benefit Guaranty Corporation payees. You can complete IRS Form 8885, Health Coverage Tax Credit to claim the credit on your tax return. To determine if you're qualified, or to find out how to receive the HCTC each month, visit IRS.gov and search for "HCTC."