

# Tax Benefits and Credits

## From Birth Through Childhood

This brochure is intended to inform taxpayers with children about the many IRS tax credits and benefits to which they may be entitled. The listed benefits and credits can be claimed on Form 1040 or 1040A. Some of the benefits and credits are also allowable on Form 1040NR. Refer to the instructions for these forms for additional information.

### DEPENDENT

In most cases, a child can be claimed as a dependent in the year in which he or she was born. The child must have a Taxpayer Identification Number (TIN). For children born in the United States, the TIN is generally a Social Security Number (SSN). If the child does not have an SSN and is eligible to receive one, apply for one as soon as possible by filing Form SS-5 with the Social Security Administration. If the child is not eligible for an SSN, you may request an Individual Tax Identification Number from the IRS by completing Form W-7.

See *IRS Publication 501, Form SS-5 and Form W-7*

### CHILD TAX CREDIT

The Child Tax Credit can reduce your tax. You may be able to take a credit on your tax return for each of your children under age 17.

See *IRS Publication 972*

### ADDITIONAL CHILD TAX CREDIT

This credit is for individuals who do not benefit from the full amount of the Child Tax Credit. The additional Child Tax Credit may give you a refund even if you do not owe any tax.

See *IRS Publication 972 and Form 8812*

### 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 so that you can work or look for work.

See *IRS Publication 503 and Form 2441 or Schedule 2*

### EARNED INCOME TAX CREDIT

The Earned Income Tax Credit (EITC) is a benefit for certain people who work and have earned income or are self-employed. EITC reduces the amount of tax you owe. The EITC may also give you a refund.

See *IRS Publication 596 and Schedule EIC*

### OTHER INFORMATION

Some children who have income may need to file their own return, even if you are eligible to claim them as a dependent. The charts in *IRS Publication 501* will help you determine if your child needs to file a tax return.

See *IRS Publication 501*

### FILING REQUIREMENTS FOR CHILDREN WITH INVESTMENT INCOME

Under certain circumstances a child's investment income may be taxed at the parent's tax rate. These rules apply to a child under 18 at the end of the tax year and also apply to a child who is 18 or a student under age 24, whose earned income is not more than one half of the child's own support. Form 8615 is used to figure the child's tax.

See *IRS Publication 501, Form 8814, and Form 8615*

### CHILD DIED IN YEAR OF BIRTH

If your child was born and died this year and you did not have an SSN for the child, you may attach a copy of the child's birth certificate to the tax return.

See *IRS Publication 501*

### ADOPTION CREDIT

You may be able to take a tax credit for qualifying expenses paid to adopt an eligible child. The credit may be more if the expenses are for the adoption of a child with special needs.

See *IRS Form 8839*

### TAX BENEFITS FOR KIDNAPPED CHILDREN

A child who has been kidnapped may still qualify you for the following tax benefits:

- The exemption deduction for a dependent.
- Head of household or qualifying widow(er) with dependent child filing status.
- The Child Tax Credit.

See *IRS Publication 501*

### COVERDELL EDUCATION SAVINGS ACCOUNT (ESA)

This savings account is used to pay qualified educational expenses at an eligible educational institution. For purposes of the Coverdell ESAs, an eligible educational institution includes a public, private, or religious school (kindergarten through grade 12) as determined under state law, as well as a college, university, vocational school, or other institution eligible to participate in a student aid program administered by the Department of Education. Contributions are not deductible; however, qualified distributions are tax-free. Contributions can be made by eligible individuals in the child's name, but the total can not exceed the stated maximum for any one year.

See *IRS Publication 970*

### QUALIFIED TUITION PROGRAMS (QTP)

This tax benefit includes programs established and maintained by states and eligible educational institutions. No tax is due on a distribution from a QTP unless the amount distributed is greater than the beneficiary's adjusted qualified education expenses. Even if a QTP is used to finance a student's education, the student or the student's parents still may be eligible to claim either the American Opportunity or Lifetime Learning Credit.

See *IRS Publication 970*