



# Families With Children

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## Child Tax Credit

### Maximum Credit

The maximum credit is \$2,000 per qualifying child.

### Maximum Refundable Credit

The maximum refundable credit (Additional Child Tax Credit) is \$1,600 per qualifying child.

### Adjusted Gross Income (AGI) Phaseout

The \$2,000 credit is reduced by \$50 for each \$1,000 of modified AGI above:

- \$400,000 Married Filing Jointly.
- \$200,000 Single, Head of Household, Qualifying Widow(er), or Married Filing Separately.

## Credit for Other Dependents

**Maximum credit:** \$500 per qualifying dependent.

A nonrefundable credit of up to \$500 is allowed for dependents other than a qualifying child for the Child Tax Credit.

## Child and Dependent Care Credit

### Credit

The credit is 20 to 35% of the smallest of:

- \$3,000 (\$6,000 for two or more qualifying persons).
- Qualified expenses incurred and paid during the year.
- Include expenses for care in 2023 that were paid before 2023. Reduce expenses by dependent care benefits excluded from income.
- Your earned income.
- Your spouse's earned income.

### Exclusion

Instead of taking the credit, you may be eligible to exclude from income an amount up to \$5,000 for dependent care

benefits received under an employer plan.

| Child and Dependent Care Expenses  |   |
|--|---|
| Qualified  | Not Qualified   |
| <ul style="list-style-type: none"> <li>• Care outside your home for a qualifying person who regularly spends at least eight hours each day in your home.</li> <li>• Amounts paid for items other than care (food and schooling) if they are incidental to the care and cannot be separated from the total cost.</li> <li>• Before and after school care.</li> <li>• Household services, including cooks, maids, babysitters, or cleaners, if services were partly for the care of a qualifying person.</li> <li>• Employment taxes, meals, and extra lodging expenses for household employees.</li> <li>• Day camps and similar programs even if they specialize in a particular activity.</li> <li>• Transportation provided by a childcare provider to or from a place that care is provided.</li> </ul> | <ul style="list-style-type: none"> <li>• Schooling for a child in kindergarten or above. <i>Clarification:</i> The IRS has confirmed that kindergarten costs are educational and do not qualify for the credit. This includes costs paid for a full day of kindergarten at a private school in a district where public schools have half-day classes. Costs of pre-school do qualify even if the programs have some educational content.</li> <li>• Cost of an overnight camp.</li> <li>• Expenses reimbursed by a state social service agency not included in income.</li> <li>• Child support payments.</li> <li>• Transportation of the care provider and transportation of a qualifying person not provided by a childcare provider.</li> </ul> |

## Earned Income Credit (EIC)

The EIC is a refundable credit for low-income earners.

### Requirements for Everyone

The following requirements must be met whether or not you have qualifying children.

- **Valid Social Security Numbers.** You and your spouse (if filing jointly) must have valid Social Security Numbers. Qualifying children must also have valid Social Security Numbers except a child who was born and died during the year. Adoption and individual taxpayer identification numbers (ATINs and ITINs) do not qualify. A Social Security Number on a card that reads "Not Valid for



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Employment" does not qualify. A Social Security Number on a card that reads "Valid for work only with DHS (or INS) authorization" qualifies.

- **You must be a U.S. citizen or resident alien for the entire year.** A nonresident alien can claim the credit if married to a U.S. citizen or resident alien, and the nonresident alien chooses to be treated as a resident for the entire tax year by filing a joint return.
- **You may not be a qualifying child of another taxpayer.**
- **You may not file a tax form relating to foreign earned income.**
- **Your investment income must be \$11,000 or less (indexed for inflation).**
- **You must be at least age 25 but under age 65 at the end of the year.** If you are married filing a joint return, either you or your spouse must be at least age 25 but under age 65. It does not matter which spouse meets the age requirement, as long as one does.

### Married Filing Separately

You may claim the EIC if you are married, not filing a joint return, had a qualifying child who lived with you for more than half of the year, and either of the following applies.

- You lived apart from your spouse for the last six months of the year, or
- You are legally separated (according to state law) under a written separation agreement or a decree of separate maintenance, and you did not live in the same household as your spouse at the end of the year.

#### Earned Income Credit

|   | Earned Income Needed for Max Credit | Phaseout Begin – End (No Credit) | Maximum Credit |
|---|-------------------------------------|----------------------------------|----------------|
| <b>Married Filing Jointly</b>                                 |                                     |                                  |                |
| No children   | \$7,840                             | \$16,370 – \$24,210              | \$600          |
| One child   | \$11,750                            | \$28,120 – \$53,120              | \$3,995        |
| Two children  | \$16,510                            | \$28,120 – \$59,478              | \$6,604        |
| Three or more children  | \$16,510                            | \$28,120 – \$63,398              | \$7,430        |
| <b>Single, Head of Household, Qualifying Surviving Spouse</b> |                                     |                                  |                |
| No children   | \$7,840                             | \$9,800 – \$17,640               | \$600          |
| One child   | \$11,750                            | \$21,560 – \$46,560              | \$3,995        |
| Two children  | \$16,510                            | \$21,560 – \$52,918              | \$6,604        |
| Three or more children  | \$16,510                            | \$21,560 – \$56,838              | \$7,430        |

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## Adoption Credit

### Credit and Exclusion Amount

A taxpayer can claim a credit of up to \$15,950 (2023) and also exclude up to \$15,950 of employer-provided benefits from income for expenses of adopting an eligible child. The same qualifying expenses cannot be used for both. Limits apply to the total spent over all years for each effort to adopt an eligible child. An attempt that leads to adoption and any unsuccessful attempt to adopt a different child is treated as one effort. Unmarried persons who adopt a child can divide each limit in any way they agree.

### Eligible Child

A child under age 18 or a person who is physically or mentally unable to care for themselves.

| Qualified expenses include:  | Nonqualified expenses include expenses:  |
|--|--|
| <ul style="list-style-type: none"> <li>• Adoption fees.</li> <li>• Attorney fees.</li> <li>• Court costs.</li> <li>• Travel expenses, meals and lodging, while away from home.</li> <li>• Re-adoption in state court.</li> </ul> | <ul style="list-style-type: none"> <li>• To adopt a spouse's child.</li> <li>• For surrogate parenting.</li> <li>• Paid or reimbursed by employer, governmental agency or other.</li> <li>• Allowed as a credit or deduction under another tax provision.</li> </ul> |

## Education Credits

**American Opportunity Credit.** Credit of up to \$2,500 per student for the first four years. 40% of the credit may be refundable.

**Lifetime Learning Credit.** Credit of 20% of the first \$10,000 of qualified education expenses (maximum credit is \$2,000). No limit on the number of years the credit may be claimed.

**Phaseout.** Both education credits phaseout with income \$80,000 – \$90,000 (\$160,000 – \$180,000 MFJ).

## Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.