

INCOME TAX INFORMATION TAX CREDITS AVAILABLE TO KINSHIP CAREGIVERS

The federal government offers tax credits to all families who are raising children. These credits usually apply to kinship families.

Credits are the most effective way of reducing income taxes, because the amount of the credit is subtracted from the tax due. Credits directly reduce the amount of taxes that you owe! Most importantly, the **Earned Income Tax Credit (EITC)** is a refundable credit. If the credit is more than your taxes, the government will pay the balance to you! The Earned Income Tax Credit is a lawful way to get paid by the federal government!

In addition to the Earned Income Tax Credit, there is the **Child Tax Credit**, as well as the **Child and Dependent Care Credit**. These credits are available to kinship families.

The Kinship Navigator Income Tax Information Fact Sheet offers some basic information about these three credits. In order to understand whether you can use these credits, you can start here, but you will need to get **more information**.

On the web, you can go to:

- www.irs.gov: information on tax forms, includes list of free file websites
- http://turbotax.intuit.com/tax_help/checklist_of_common_tax_questions/article:
Turbotax list of common tax questions
- <http://www.taxcreditsources.org/>: Answers common tax questions

For information on New York State Tax Credits, please visit:

- List of New York State Income Tax credits:
http://www.tax.state.ny.us/pit/income_tax_2006/credits/default.htm
- Child and Dependent Care Credit:
http://www.tax.state.ny.us/pit/income_tax_2006/credits/child_dep_care_cr.htm
- Empire State Child Credit:
http://www.tax.state.ny.us/pit/income_tax_2006/credits/empire_state_child_cr.htm
- New York EIC:
<http://www.taxcreditsources.org/pages.cfm?contentID=39&pageID=12&subpages=yes&dynamicID=616>

You can also ask for assistance from a local income tax help line:

Toll Free Help lines:

1. IRS National Taxpayer Advocates helpline: 1-877-777-4778
2. IRS Internal revenue service: 1-800-829-1040
3. NYS Personal Income Tax information Center: 1-800-225-5829

You can also get help from one of the tax assistance offices listed here on the NYS Kinship Navigator, see

EARNED INCOME TAX CREDIT

Income Requirements

- Special tax benefit for working people who earn low to moderate incomes
- Credit is available whether or not you have children; it is based on income
- Credit of up to \$4,536 for qualifying tax payers
- Income requirements:
 - Gross income is less than \$12,120 with no child
 - Gross income is less than \$32,001 with one child
 - Gross income is less than \$36,348 with more than one child
- If filing jointly, add \$2,000 to the gross income
 - Gross income jointly filed is less than \$14,120 with no child
 - Gross income jointly files is less than \$34,001 with one child
 - Gross income jointly filed is less than \$38,348 with more than one child
- If you are married and filing separately, you cannot claim EITC

Qualifying Children

- Qualifying child is UNDER 19, or UNDER 24 and a full-time student or ANY AGE and permanently and totally disabled
 - Who has lived with you for more than half of 2006
 - Who is a son, daughter, grandchild, stepchild, eligible foster child, niece, nephew, sister, brother, or half-sibling.

Amount of Credit

- No children: up to \$412
- One Child: up to \$2,747
- Two or more children: up to \$4,536.

Requirements

- Must file Schedule EIC if you are claiming children
- Must file federal Income Tax return 1040 or 1040A (NOT 1040EZ)
 - Exception: You MAY file a 1040EZ if you are NOT raising a child.
- Public Benefits: has little effect on your refund
 - Public Assistance does not count as income toward this credit.
 - SSI income counts as income after 9 months toward this credit.
 - Food Stamps counts as income after 12 mos. Toward this credit.

CHILD TAX CREDIT

Income Requirements

- Federal tax credit for low and moderate income working families
- May reduce taxes by up to \$1,000 for each qualifying child
- Must earn **more** than 11,300
 - No limit on investment income

Amount of Credit

Qualifying Children

- Qualifying children:
 - Under 17 in 2006
 - Child, grandchild, foster child, sibling, niece/nephew, step-sibling
 - Provided less than half of their own support in 2006
 - Lived with you for more than half of 2006

Requirements

- Must file Form 8812 “Additional Child Tax Credit”
- Must file federal Income Tax return 1040 or 1040A (NOT 1040EZ)
- Public Benefits: has little effect on your refund
 - For SSI counts as income after 9 months toward this credit.

CHILD AND DEPENDENT CARE TAX CREDIT

- You are allowed to claim up to 3,000 for the expense of one child, and up to 6,000 for more than one dependent.
- Each dependent must have a social security number or Taxpayer ID number
- Due to the fact that the credit is nonrefundable (will not pay you over the amount you owe), it's use is limited to low-income families
- You **MUST** pay taxes to qualify for this credit
Income is defined as working income (public assistance and food stamps do not count toward this amount)

To Qualify you must:

- Have paid for care expenses in order to earn taxable income
- Married individuals must both work at last part –time (unless one is disabled or a student)
- Pay more than pay more than 50% of the household maintenance costs for a qualifying dependent
- File your tax return jointly if married, unless the separation rules apply;
- Hire someone *other than* your child (under age 19 at the end of the tax year), your spouse, or a person you can claim as a dependent;
- Have qualifying expenses over and above any tax-free reimbursements from your employer (ex. FSA benefits)
- Report on your tax return the name, address, and taxpayer identification number of the childcare provider. If the care provider is a tax exempt organization the taxpayer identification number is not required.
- **Employment related expenses include:**
 - Household services and expenses for care for the qualifying dependent
 - Out of home are costs for a child under 13, including daytime summer camp, nursery school, baby sitter, or day care center.
 - Does NOT include overnight camp or elementary school.
 - Ordinary domestic services in the home such as cooking, cleaning and laundry that are partly for the care of the qualifying dependent