



# The Child Tax Credit: An Extra Tax Break for Working Families!

## What is the Child Tax Credit?

The Child Tax Credit (CTC) is a federal tax credit worth up to \$1,000 in 2010 for each qualifying child under age 17 claimed on the worker's tax return. Since 2001, the CTC has been available to millions more low- and moderate-income working families and provided many families a larger CTC than they could have received in the past. This "Additional CTC" is refundable, meaning some families can get the credit even if they owe no income tax. Eligible families can receive the "Additional CTC," or CTC refund, in a check from the IRS.

## Who Can Claim the Child Tax Credit Refund?

To be eligible for the CTC refund, a single or married worker must:

- have a qualifying child under age 17;
- have taxable earned income above \$3,000 (new for 2009 and 2010); and
- have either a Social Security number (SSN) or an Individual Taxpayer Identification Number (ITIN). ITINs are issued by the IRS to individuals who are unable to obtain a Social Security number. *Immigrant workers with either type of number may be able to claim the CTC refund.*

## Can a working family get both the Child Tax Credit refund and the Earned Income Credit?

Yes!! Most low-wage working families that qualify for the CTC refund will also be eligible for the EIC. For many families that qualify for both credits, the EIC will be larger, but the CTC still will provide a significant income boost. Despite the overlap in eligible families, there are important differences in the eligibility rules for the two credits and in the procedures for claiming them.

### Who is a "Qualifying Child" for the CTC?

- Sons, daughters, stepchildren, grandchildren and adopted children
- Brothers, sisters, stepbrothers, or stepsisters — as well as descendants of such relatives
- Foster children who are placed with the worker by an authorized government or private placement agency
- \* Age — A child claimed for the CTC must be under age 17 at the end of 2010.
- \* Residence — The child must live with the worker for more than half of the year in the U.S. and must be either a citizen or a resident alien. The child must have either a valid Social Security number or an Individual Taxpayer Identification Number (ITIN).

*Note: a child may not be claimed for the CTC if the child provides over one-half of his or her own support; the worker must claim the dependent exemption for the child.*

- a non-custodial parent who is allowed to claim his or her child as a dependent by a divorce or separation agreement is the parent entitled to claim the child for the CTC.

## ***How do families get the Child Tax Credit refund?***

1. **File a federal income tax return — Form 1040 or 1040A, but not 1040EZ.** The instructions and worksheet included in the IRS tax form packet will help tax filers figure their income tax and calculate their maximum possible CTC. The CTC is first used to reduce or eliminate any income tax a tax filer owes. If any of the CTC is remaining after the income tax has been eliminated (i.e. if the family’s income tax was less than its maximum CTC), the tax filer moves on to the next step in the process — Form 8812.
2. **File Form 8812.** Form 8812, “Additional Child Tax Credit,” is used to find out if the family qualifies for a CTC refund and, if so, the amount of the refund. This form must be attached to the tax return for a family to receive the CTC refund.

## ***How does the CTC work?***

- Eligible families can get up to \$1,000 for each qualifying child under age 17 claimed on their tax return. (For example, a parent with two such children can claim a CTC of up to \$2,000 — 2 children x \$1,000.) The CTC first is used to reduce or eliminate a family’s income tax liability. Families may also be able to get all or part of any remaining CTC as a refund.

- The CTC refund is based on the amount by which the earned income of a worker (and spouse, if married) exceeds \$3,000. Families with any CTC remaining after their income tax liability has been eliminated may receive a refund in the lesser of two amounts: (1) the amount of the family’s CTC that remains, or (2) 15 percent of the family’s earned income over \$3,000. Here’s an example of how a family can benefit:

Janice is a single parent with a 16-year-old child. She earned \$20,000 in 2010 and had \$430 in income tax withheld from her pay. (1) Her maximum CTC of \$1,000 is first used to eliminate her \$430 income tax, leaving \$570 of her CTC remaining ( $\$1,000 - \$430 = \$570$ ). (2) Fifteen percent (15%) of Janice’s earnings over \$3,000 is \$2,550. Since this is more than the \$570 remaining in her CTC, Janice is eligible to receive a CTC refund for the lower amount — \$570. Janice’s check from the IRS will include:

- refund of withheld income tax      \$430
- her Additional CTC refund      \$570
- her EIC for one child      \$2,483

Her total refund =      \$3,483

## ***Does the CTC affect public benefits?***

The CTC refund does not count as income in determining eligibility for any federal, state or local program benefits, such as food stamps, SSI, or child care, financed even in part by federal funds. Some benefit programs count saving the CTC as a resource under certain circumstances.