



# The Earned Income Credit and Child Tax Credit Can Help Workers Who Are Grandparents Raising Grandchildren

## What do we know about grandparents who raise grandchildren in the U.S.?

About 2.6 million grandparents are responsible for most of the basic needs (i.e., food, shelter, and clothing) of one or more grandchildren living with them — about 40% of all grandparents living with grandchildren in the U.S. Two thirds of these caregivers are married. The majority of these grandparents responsible for caring for their grandchildren are under the age of 60. Almost 40 percent cared for their grandchildren for at least the past five years.

More than *half* of these grandparents are still in the labor force and may qualify for the Earned Income Credit (EIC) and Child Tax Credit (CTC). In 2009, half a million grandparents were raising one or more grandchildren with no parent present and may qualify for the EIC. Another one million grandparents were the primary earner in a family with both a child and grandchild and may qualify for the EIC.

Other key facts about grandparents raising grandchildren:

- 19% of grandparents raising grandchildren earn an income that is below the poverty level.
- In grandparent-caregiver households where the parent of the grandchild is absent, the median income is \$34,782, which is within the income limits to qualify for the EIC.
- 23% of the grandparents who are responsible for caring for their grandchildren speak a language other than English at home.

*\*Data from the U.S. Census Bureau Table DP-2, Profile Selected Social Characteristics: 2000, the March 2010 Current Population Survey (CPS), and the 2009 American Community Survey (ACS).*

## Must a grandparent have legal guardianship to claim a grandchild for the EIC and CTC?

No! Legal guardianship of a child is not a requirement to claim the EIC or CTC. Eligibility is based on the age of the grandchild and whether the grandchild lived with the grandparent for more than six months of the year in total. As long as the grandparent meets the general requirements for these tax credits, in the absence of the parent the grandparent can claim the EIC and CTC.

## Who is eligible for the EIC and CTC in a three-generation household when both a child and parent live with the grandparent of the child?

In a three-generation household, only one tax filer can claim the EIC and CTC, even if more than one family member works and is otherwise eligible. If the parent did not work or chooses not to claim the EIC or CTC, eligible grandparents may claim these credits, so long as their income is greater than the parent's.

**If a grandparent, parent and child are living in the same household, what happens if there is a change in the parent’s ability to raise the child as a result of...?**

**...unemployment, change of job, loss of income, military deployment or divorce?**

The parent is still eligible in these circumstances to claim the child for the tax credits if he/she lived with the child for more than six months of the year and had earned income. Time spent on a military deployment is considered the same as residence with the child, so soldiers do not lose eligibility for tax benefits.

**...incarceration, disability, illness, death or other circumstances which prevent the parent from working and raising the child?**

If the parent has been absent or has not worked, a grandparent who lived with the child for more than six months total during the year and has earned income may qualify to claim the credits. However, income from retirement pensions and Social Security benefits do not qualify as earned income to be eligible to claim the EIC and CTC.

**Will claiming the EIC and CTC affect eligibility for other benefits upon which grandparents raising grandchildren rely?**

EIC and CTC refunds won’t count as income when applying for or renewing any federally-funded benefits, such as SNAP (food stamps), TANF, SSI, Medicaid or housing programs. EIC and CTC refunds do not affect Social Security or Medicare benefits.

For resource or asset tests, the standard rule for such benefit programs, beginning in 2010, is that if saved, EIC and CTC refunds are not counted for 12 months after the refund is received.

States may provide welfare cash assistance for the support of a child under the care of a relative. The EIC and CTC do not affect these “child only” welfare benefits.

**Are there other tax credits that can benefit grandparents raising grandchildren?**

The **Child and Dependent Care Credit** helps families pay for child care for children under age 13 so they can work or look for work. Dependents who have a disability and are incapable of self-care can be any age. The child care credit can reduce the amount of federal income tax a family pays, but can’t be claimed by those who earned too little to owe income tax. This non-refundable credit is worth a percentage of expenses paid up to \$3,000 for one child or up to \$6,000 for two or more children. The EIC and CTC do not affect a family’s eligibility for the child care credit and all three credits can be claimed together by some families. *For more information on the child care credit, see [IRS Publication 503](#).*

Some grandparents may be eligible for the **Credit for the Elderly or the Disabled**. To qualify for this tax credit, you must be age 65 or older, *or* retired on permanent and total disability and have taxable disability income. *For more information on this tax credit, see [IRS Publication 524](#).*