



QUESTIONS AND ANSWERS ABOUT THE CHILD TAX CREDIT TAX YEAR 2007

*The federal **Child Tax Credit** is designed to offset some of the costs of raising children. The following questions and answers will help you feel more comfortable spreading the word about the federal **Child Tax Credit**. But you should not try to answer specific questions about any individual's or family's taxes!*

1. *What is the federal Child Tax Credit?*

The federal **Child Tax Credit** can provide a family up to \$1,000 in tax assistance for each qualifying child under age 17.

2. *Who is eligible for the Child Tax Credit?*

To be eligible for a **Child Tax Credit**, a family must:

- Have a qualifying child who was under age 17 on December 31, 2007; *and*
- Have adjusted gross income during 2007 of \$94,000 or less (if the tax filer is single) and \$129,000 or less (together with a spouse's income, if the tax filer is married). Income limits are higher if the family has more than one qualifying child.

3. *When is a child a qualifying child who can be claimed for the Child Tax Credit?*

A qualifying child for the **Child Tax Credit** is an individual who:

- Is the tax filer's child, stepchild, adopted child (or child lawfully placed with the tax filer for legal adoption), foster child (placed with the tax filer by an authorized placement agency or court action), sibling, half-sibling, stepsibling, or a descendant of any of these individuals (e.g., grandchild, niece); *and*
- Lived with the tax filer in his or her main home for more than half the year (there are special rules for children of certain divorced or separated parents (see question 5), and for children who were born or died during 2007, were temporarily absent, or were kidnapped); *and*
- Did not provide over half of his or her own support; *and*
- Is a U.S. citizen or resident alien (except certain adopted children).

4. *What if a tax filer's qualifying child is also the qualifying child of another person?*

If the other person is the tax filer's spouse with whom he or she is filing a joint return, the answer is simple: the tax filer and his or her spouse can claim the child together on their joint return. But there are other situations in which a child might be the qualifying child of more than one person.

If more than one person files a tax return for 2007 claiming the child as a qualifying child, the Internal Revenue Service will apply the following rules to decide who can claim the child:

If more than one tax filer claims the same child and...	Then the child will be treated as the qualifying child of the...
Only one is the child's parent,	parent.
Two are parents and they do not file a joint return,	parent who lived with the child for the longer period of time in 2007.
Two are parents, they do not file a joint return, and the child lived with each parent the same amount of time in 2007,	parent with the higher adjusted gross income in 2007.
None is the child's parent,	person with the highest adjusted gross income in 2007.

However, if more than one person could claim the child as a qualifying child, those people can decide together who will claim the child as a “qualifying child” for tax purposes in 2007. That person will be able to claim the **Child Tax Credit** and other tax benefits for that “qualifying child” (including the **Earned Income Tax Credit**, **Child and Dependent Care Tax Credit**, dependent exemption, and head of household filing status) if the other eligibility requirements for those tax benefits are met. Whoever the family members decide can claim the child as a “qualifying child” will be entitled to claim *all* of these tax benefits for that child; they cannot decide to split them up for that child, unless the special rules for divorced and separated parents apply (see question 5).

5. *The tax filer has custody of his or her child, but is releasing his or her claim to the dependency exemption for 2007 to the noncustodial parent. Can the tax filer claim the Child Tax Credit?*

No. If the tax filer signed Form 8332 or a similar statement, agreeing not to claim the child as a dependent for 2007, he or she is not entitled to claim the child as a qualifying child for the **Child Tax Credit**. Under these circumstances, the noncustodial parent may claim the **Child Tax Credit**, even if that parent lived with the child for less than six months in 2007, if that parent meets the other eligibility requirements. But, if the tax filer lived with the child for more than six months and a longer period of time than the other parent in 2007, he or she still may claim the **Earned Income Tax Credit and Child and Dependent Care Tax Credit**, if he or she meets the other eligibility requirements for those credits.

6. *How much can a family get from the Child Tax Credit?*

The size of a family’s credit depends on its income and the number of children. If the family’s earned income in 2007 was below \$11,750, its credit will be limited by the amount, if any, of the federal income tax liability that it has. (Special rules for determining earned income apply to a person with 2007 nontaxable combat pay).

The table at right shows the credit a family may be eligible for if there is one qualifying child or two qualifying children. The family’s credit will be larger if there are more than two qualifying children.

Maximum Child Tax Credit Available for Families with One or Two Qualifying Children, By Income Level			
Modified Adjusted Gross Income, Single Taxpayer	Modified Adjusted Gross Income, Married Taxpayers	Credit for One Qualifying Child	Credit for Two Qualifying Children
\$0-\$75,000	\$0-\$110,000	\$1,000	\$2,000
\$75,001-\$80,000	\$110,001-\$115,000	\$950-\$750	\$1,950-\$1,750
\$80,001-\$85,000	\$115,001-\$120,000	\$700-\$500	\$1,700-\$1,500
\$85,001-\$90,000	\$120,001-\$125,000	\$450-\$250	\$1,450-\$1,250
\$90,001-\$94,000	\$125,001-\$129,000	\$200-\$50	\$1,200-\$1,050
\$94,001-\$114,000	\$129,001-\$149,000	\$0	\$1,000-\$50
\$114,001+	\$149,001+	\$0	\$0

7. *Can a family still take the Child Tax Credit if it owes no taxes?*

Yes, a family with little or no federal income tax liability can still take advantage of the **Child Tax Credit** by receiving part of it as a refund. The amount of the refund is determined by using one of two formulas. One formula may be used by all families, but an alternate formula may only be used by families with three or more children.

To calculate a family’s refund under the general formula, first use the **Child Tax Credit** to eliminate any income tax liability that the family owes, and figure out how much of the **Child Tax Credit** remains unused. The refund the family will receive is equal to either that unused portion or 15% of the family’s earnings over \$11,750, whichever is lower. If the family has no income tax liability at all, then the refund is equal to the total value of the **Child Tax Credit** for which the family is eligible or 15% of the family’s earnings over \$11,750, whichever is lower.

For example, assume a single parent with one child and \$13,000 in earnings. The maximum **Child Tax Credit** available for one child is \$1,000. Since the family owes no federal income taxes, the value of this refund will be equal to \$1,000 or 15% of the family’s earnings over \$11,750 ($15\% \times \$1,250 = \187.50), whichever is lower. Because \$187.50 is less than \$1,000, the value of this family’s refund is \$187.50.

If there are three or more children in a family, the family’s refund can also be calculated according to an alternate formula and the family can choose the formula that provides a higher refund. Under the alternate formula, the

family must first calculate the total amount of payroll taxes that have been withheld from its paychecks in 2007. From this amount, the family must subtract the total amount of the **Earned Income Tax Credit (EITC)** received, including any portion of the **EITC** that the family receives as a tax refund. The family can receive as a **Child Tax Credit** refund the amount by which the payroll taxes paid exceed the **EITC** received, up to the full amount of the **Child Tax Credit** for which the family is eligible.

Note: For more information about the alternative ways of calculating the refundable **Child Tax Credit** and worksheets that will walk you through each of these calculations, see IRS Form 8812 and Publication 972.

8. *If a family receives a Child Tax Credit Refund, will its Temporary Assistance for Needy Families benefits or other government benefits be reduced?*

No. The amount of a family's **Child Tax Credit** refund will not be used to determine if a family is eligible for, or how much the family will receive in, Temporary Assistance for Needy Families benefits or other federally funded federal, state or local benefits, as long as the family spends the refund in the month it is received or in the following month.

9. *Does a family have to calculate child care expenses or other child-rearing expenses to claim the Child Tax Credit?*

No. Although the **Child Tax Credit** can be used to help families with children pay for these kinds of expenses, tax filers do not have to show that they had any particular expenses to claim the **Child Tax Credit**.

10. *Can a family claim the Child Tax Credit if it also claims the Child and Dependent Care Tax Credit and the Earned Income Tax Credit?*

Yes, if a family is eligible for these credits, it can claim benefits under all three provisions and lower its taxes or increase its refund.

11. *What does a family need to do to claim the Child Tax Credit?*

Even if a family doesn't owe any federal income taxes, it must file a tax return to claim the **Child Tax Credit**. The family must file either Form 1040 or 1040A (not 1040EZ). The tax filer must provide a Social Security Number (SSN) or an Individual Taxpayer Identification Number (ITIN) for him or herself, his or her spouse if married, and any qualifying child. If the tax filer is applying for a child who was placed in his or her home for adoption for whom he or she cannot get an SSN, he or she must get an Adoption Taxpayer Identification Number (ATIN).

If the tax filer is eligible for an SSN, he or she should apply for it rather than an ITIN. The tax filer must get the SSN before filing the family's tax return. It can take some time to receive an SSN, so the tax filer should apply well in advance. To apply for an SSN, he or she should complete Form SS-5 from the Social Security Administration, available at www.ssa.gov/online/ss-5.html. If the tax filer is applying for an ITIN, he or she must file his or her application for an ITIN at the same time that he or she files the family's tax return. To apply for an ITIN, the tax filer should complete Form W-7 from the Internal Revenue Service, available at www.irs.gov/pub/irs-fill/fw7.pdf. To apply for an ATIN, the tax filer must file Form W-7A, available from the Internal Revenue Service at www.irs.gov/pub/irs-pdf/fw7a.pdf, several weeks before he or she plans to file a tax return.

To claim the refundable component of the **Child Tax Credit**, a family must file Form 8812. Form 8812 and Publication 972 do not come with either Form 1040 or 1040A; they are available at www.irs.gov/formspubs/index.html. If the family's 2007 adjusted gross income is above \$75,000 (if the tax filer is single) or above \$110,000 (together with the tax filer's spouse's adjusted gross income, if married), the family must use a worksheet in Publication 972.

For More Information

Information about other tax benefits available to families with children is available on the National Women's Law Center's website at www.nwlc.org/loweryourtaxes. Further information is also available from the Internal Revenue Service on its website, www.irs.gov, by calling 1-800-TAX-1040 toll free or by contacting your local Volunteer Income Tax Assistance (VITA) clinic for free assistance.