

Child Tax and Other Dependent Credit

As An AARP Foundation Tax-Aide Counselor, we need to help explain the benefit from the child tax credit nonrefundable credit and also qualify for the refundable additional child tax credit.

Learning Objectives

- The taxpayer's eligibility for the credit(s)
- Which taxpayer can claim the additional credits

The child tax credit and the credit for other dependents are on Schedule 3 of the tax return; the additional child tax credit is on the Refundable credits line of the return.

The intake and interview sheet, along with the Volunteer Resource Guide, Tab G, Nonrefundable Credits are critical tools to determine eligibility for the credit.

Getting Started:



Study the associated IRS VITA/TCE Training Guide Chapter 23.



Open [Pub 4012 Volunteer Resource Guide](#) Tab G-12 through G-13.

Tax Software Hint: If you are using the tax software, the system will automatically calculate the credit and place that entry on the appropriate line of the refundable credits.

2018 Child Tax Credit Changes

The maximum credit per qualifying child is \$2,000 (increase from \$1,000). The definition of a qualifying child has not changed. The refundable amount of the credit is limited to \$1,400 per qualifying child. The earned income threshold amount used to calculate the refundable portion of the credit decreased from \$3,000 to \$2,500.

The taxpayer must still include a valid Social Security number (SSN) for each qualifying child for whom the maximum \$2,000 credit is claimed, and that SSN must also have been issued by the due date of the tax return (including extensions).

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The threshold at which the credit begins to phase out increased:

For Married Filing Jointly, the threshold increased from \$110,000 to \$400,000

For Single, Head of Household, or Qualifying Widow(er), the threshold increased from \$75,000 to \$200,000

For Married Filing Separately, the threshold increased from \$55,000 to \$200,000

Credit for other dependents is a \$500 credit for other dependents who do not qualify for the \$2,000 child tax credit. The dependent must:

- Be a U.S citizen, U.S. national, or resident of the U.S.
- Have a valid identification number (ATIN, ITIN, or SSN).

The \$500 non-refundable credit covers dependents who don't qualify for the child tax credit, such as children who are age 17 and above or dependents who meet the relationship test (such as elderly parents). Taxpayers cannot claim the credit for themselves (or a spouse if Married Filing Jointly).

A qualifying child who is ineligible for the child tax credit because that child did not have a valid SSN, or did not have a valid SSN by the due date of the tax return (including extensions) may still qualify for the non-refundable \$500 credit.

Practice Lab

Open [TaxSlayer Practice Lab](#) and login.

If necessary, find and review the **Entering Basic Credits video**.

Use the same Clark Exercise already created in Lesson 22 Foreign Tax Credit,

- Open the return in TaxSlayer and review the Summary/Print PDF
- Find the Child Tax Credit and Other Dependent Credit

Find answers in the file: *Answers to Practice Lab Self-Study Exercises* in the Self-Study 2018>H. Answers, etc. Module.

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Learning Review

1: Jose and Yolanda Alameda are Married Filing Jointly and have five dependent children under the age of 17. Jose and Yolanda both have valid SSNs. Their children have Individual Taxpayer Identification Numbers (ITINs). Are their children qualifying children for the purpose of the child tax credit?	Yes No
2: Paul and Marie are married with two dependent children. They will file a joint Form 1040 for the year. The children are qualifying children for purposes of the child tax credit. Paul and Marie's MAGI is above the threshold limit, and their tax liability is \$6,200. Based on this information, Paul and Marie: A. Are not eligible for the maximum credit and can use the Child Tax Credit Worksheet in the Form 1040 Instructions to figure their child tax credit B. Will have to use Publication 972 to figure their child tax credit C. Are eligible to claim a full child tax credit D. Are not eligible to claim any amount for the child tax credit	
3: Laura's adopted son Jack is 12. He is a citizen of the United States and lived with Laura for the entire tax year, during which time Laura provided full financial support. Is Jack a qualifying child for the child tax credit?	Yes or No
4: Which one of the following individuals (all of whom have two qualifying children for the purposes of the child tax credit) are eligible to claim the maximum \$2,000 per child for the child tax credit on their tax return? A. Fiona, who is Married Filing Separately with a MAGI of \$202,000 B. Ken, a Qualifying Widower with a MAGI of \$30,000 and tax liability of \$490 C. Nick, who is Single with a MAGI of \$70,000 and a tax liability of \$5,000 D. Julie, who is Married Filing Jointly with a MAGI of \$422,000	

Feedback:

Please email: selfstudy@aarpdfntaxaide.org. Appreciate suggestions and comments.

Answers to Learning Review

1: No. The children do not qualify for the child tax credit because they do not have valid SSNs.

2: A. Paul and Marie's MAGI is over the threshold limit for their filing status. They are not eligible to claim a full child tax credit. They can use the Child Tax Credit Worksheet in the Form 1040 Instructions to calculate the credit.

3: Yes. Jack is a qualifying child for the child tax credit because he was under the age of 17 at the end of the current tax year; he meets the relationship requirement, lived with Laura for at least six months of the year; and he did not provide more than half of his support.

4: C. Nick may be able to take the full \$2,000 credit for each of his qualifying children because his MAGI is not affected by the threshold limit for his single filing status. In addition, his tax liability of \$5,000 is more than the amount of \$2,000 per child for the credit.