

Children and Taxes

Child Tax Credit

A child tax credit of \$1,000 is available for qualified individuals with one or more dependent children under the age of 17 at the end of the tax year. The credit is available for each qualifying child up to a maximum credit of \$1,000 per child or the equivalent of your tax liability. The credit begins to phase out if the taxpayers adjusted gross income (AGI) exceeds; \$110K for married couples filing jointly, \$75K for heads of household or single filers, and \$ 55K for married couples filing separately. The credit is scheduled to increase each year as follows.

Calendar Year	Maximum Credit per child
2005-2008	\$700
2009	\$800
2010	\$1000

Additional Child Tax Credit

Taxpayers who do not claim the full \$1,000 tax credit for each child and have (1) one or more qualifying children and more than \$11,000 of earned income or (2) three or more qualifying children may qualify for a partially refundable tax credit.

Dependent Care Tax Credit

A credit is available for parents who have child care expenses for their dependent children under the age of 13, at the end of the year. To qualify, both spouses must be working or full time students. This allowable credit is a percent of paid expenses and is based on AGI. The credit ranges from 20% to 35% of the paid expenses up to a maximum of \$3000 for one child or \$6000 for two or more children. You will need the name and taxpayer I.D. number for each care provider in order to claim this credit.

Adoption Credit

Adoptive parents may be able to take an adoption expense tax credit equal to 100% of qualified expenses up to \$10,630 for each effort to adopt an eligible child and is generally deductible in the year the adoption is final or paid, whichever is the later.

Planning for Education

Recent tax law changes expand and provide new tax relief to help save for children's education. Although many of the new provisions apply to higher educational costs, some of them will also affect payments for grades K-12 educational expenses.

Educational Savings Accounts

A maximum of \$2000 per child, can be contributed into an account to be set aside for the child's education. Any child is eligible from birth to age 18, as long as the aggregate of all contributions does not exceed the maximum annual contribution. This is a great opportunity for cash gifts to be put away for a child's future. If used for educational purposes, all the withdrawals are tax free upon distribution. Including the earnings!

For more information regarding your personal income tax and how these credits and deductions may benefit you, give AJE Financial Services a call today!