

Module 6D: CHILD TAX CREDIT & CREDIT FOR OTHER DEPENDENTS

Special thanks to: Xavier Nanez, Department of Personal Financial Planning, Texas Tech University for his contribution to content provided in this module.



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By the end of this module you will...

- Understand the difference between the Child Tax Credit, Additional Child Tax Credit, and Credit for Other Dependents
- Determine the taxpayer's eligibility for the Child Tax Credit(s)
- Calculate the amount of the credit(s)
- Identify what documentation is needed for filing

In this module...

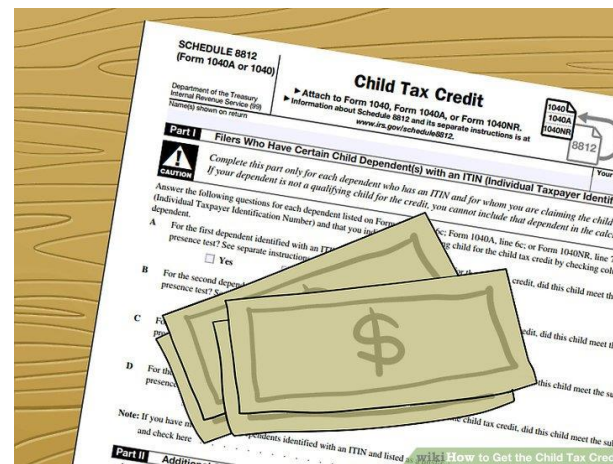
- [Child Tax Credit & Additional Child Tax Credit](#)
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Child Tax Credit (CTC) & Additional Child Tax Credit (ACTC)



Child Tax Credit

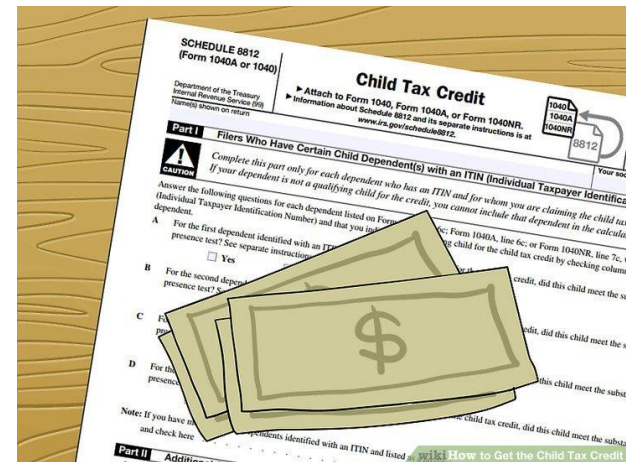
The **Child Tax Credit (CTC)** is a **nonrefundable tax credit** that allows taxpayers to claim a **maximum of \$2,000 per child** to reduce their overall tax liability.



Additional Child Tax Credit (ACTC)

The **Additional Child Tax Credit (ACTC)** is a **refundable credit (maximum \$1,400)** that may be applied if the value of the Child Tax Credit is greater than the total amount of the income tax liability

It is possible to claim the Additional Child Tax Credit if the taxpayer is not able to claim the full amount of the Child Tax Credit.



Taxpayer Qualifications & Eligibility Requirements



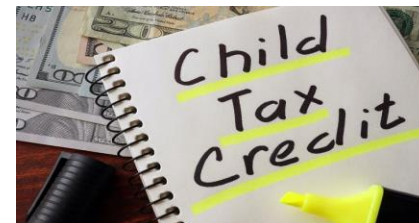
Q. Who can claim child tax credits (CTC, ACTC)?

A. Any taxpayer with a “Qualifying child” can claim the credits

In order to be considered a qualifying child for the CTC & ACTC, a dependent must be:

- Under age 17 on December 31 of the tax year, who
- Lived with the taxpayer for more than six months of the year,
- Did not provide over half of his or her own support,
- Meets the relationship criteria
- Is a U.S. citizen, U.S. national, or resident of the United States, and
- **Has a valid Social Security number**

This is a BIG change from previous years



Special rules can be applied for divorced or separated spouses.

It is possible for a custodial parent (a parent who has been given physical or legal custody of a child by court order) to allow a noncustodial parent to claim the CTC by signing the form 8332.

How much are the Child Tax Credit and Additional Child Tax Credit Worth?



How much are the Child Tax Credits?

CTC = \$2,000 for each qualifying child
(up to the total amount of the tax liability)

ACTC = up to \$1,400 for each qualifying child

Credit for Other Dependents



Credit for Other Dependents

Beginning with tax year 2018, taxpayers may claim the **Credit for Other Dependents** when they have someone who qualifies as a dependent who is not a qualifying child for the child tax credit.

- The credit is non-refundable.
- The maximum credit amount is \$500 per qualifying dependent.
- The credit cannot be claimed for any dependent that is a qualifying child for the child tax credit.
- The dependent may be a qualifying child or a qualifying relative.
- The dependent can have either an SSN or an ITIN.
- The dependent must be a U.S. citizen, national, or resident of the United States.

Credit for Other Dependents Example

Francine, age 43, is divorced and earned \$43,000 in 2018. She supports her widowed mother-in-law, Connie, whose only income is social security. Francine's sons, Henry (age 16) and Neal (age 12), and Connie all lived with her in Chicago all year. Her sons do not provide any of their own support.

Everyone in the family has a social security number except Francine and Henry, who have ITINs.

Who can Francine claim for the credit for other dependents?

- ✓ **Connie** - **Yes.** She is Francine's dependent under the rules for qualifying relative. She is not a qualifying child for the child tax credit because she doesn't pass the relationship or age test.

- ✓ **Henry** – **Yes.** He qualifies as her dependent under the rules for a qualifying child but she cannot claim him for the child tax credit because he doesn't have an SSN.

- X **Neal** – **No.** Since he is only 15 and has an SSN, he is Francine's qualifying child for the child tax credit.

Re-Cap



Re-Cap

- The **Child Tax Credit (CTC)** is a **nonrefundable tax credit** that allows taxpayers to claim a **maximum of \$2,000 per child** to reduce their overall tax liability.
- The **Additional Child Tax Credit (ACTC)** is a **refundable credit (maximum \$1,400)** that may be applied if the value of the Child Tax Credit is greater than the total amount of the income tax liability
- The **Credit for Other Dependents** is a **nonrefundable tax credit (maximum \$500)** for dependents who do not otherwise qualify for the CTC or ACTC

Knowledge Check - Scenario

- Jon Smith has three children ages 10, 15 and 16.
- The Child Tax Credit for 2018 can equate to up to \$2,000 per child on Mr. Smith's tax return.
- With Mr. Smith's oldest child being under the age of 17 at the end of the calendar year this child is included in the calculation of the applied Child Tax Credit.

Calculation:

With three children all under the age of 17, Mr. Smith can expect to reduce his income tax bill by up to \$6,000.

Knowledge Check

Additional Resources:

- [Five Things You Should Know about the Child Tax Credit](#)
- [Is My Child a Qualifying Child for the Child Tax Credit?](#)
- [IRS Publication 4491 \(25-1\)](#)

Up Next... Module 7: Refundable Credits

