

The child tax credit is worth up to \$1,000 per child under the age of 17. In order to qualify for the child tax credit, the taxpayer must be able to claim the child as a dependent. Be aware that there are additional criteria for the child tax credit; not all dependents will qualify. For some taxpayers, utilizing the child tax credit can reduce their federal income tax liability to zero. In that situation, any excess or remaining child tax credits may be refundable to the taxpayer. The child tax credit is gradually reduced based on income levels. Technically, there is no limit to how many children you can claim for child tax credit purposes, but additional dependents will expose a taxpayer to the alternative minimum tax. I have noticed that the AMT can exactly offset additional child tax credits for larger families.

## Qualifying for the Child Tax Credit

Generally speaking, the rules for the child tax credit mirror the rules for dependents. However there are some notable differences. Children will qualify a taxpayer for the child tax credit if all nine of the following criteria are met:

1. the child is related to the taxpayer as a son, daughter, stepchild, foster child, adopted child, brother or sister; or a descendant of any of these relations such as a grandchild, nephew, or niece;
2. the child lived with the taxpayer for more than half the year;
3. the child was under age 17 at the end of the year (that is, the child is 16 years old or younger);
4. the child did not provide more than half of his or her own financial support;
5. the child is a citizen or resident alien of the United States;
6. the child is younger than the taxpayer;
7. the child does not file a joint tax return with his or her spouse (although some exceptions may apply);
8. the child meets the criteria to be claimed as a dependent of the taxpayer;
9. the child is claimed by his or her parents; if claimed by someone else, that person must have an adjusted gross income higher than the adjusted gross income of either parent.

Taxpayers can check to see if they are eligible for the child tax credit by utilizing the [Am I Eligible for the Child Tax Credit?](#) Web-based utility on the IRS.gov Web site.

## Income Limitations and Phaseouts for the Child Tax Credit

The child tax credit, like other credits, is gradually reduced based on a person's income for the year. The child tax credit starts to be reduced when income reaches the following levels:

- ♦ \$55,000 for married couples filing separately,
- ♦ \$75,000 for single, head of household, and qualifying widow(er) filers, and
- ♦ \$110,000 for married couples filing jointly

In the phaseout range, the child tax credit is reduced by \$50 for each \$1,000 of income above these threshold amounts. These phaseout ranges are set by statute and not indexed annually for inflation.

## Refundable Portion of the Child Tax Credit

A person's federal tax liability might be reduced to zero through the use of the child tax credit along with other tax credits. Any child tax credits in excess of a person's tax liability can potentially be refunded. This is called the Additional Child Tax Credit. The refundable portion of the child tax credit has two different methods of calculation depending on the number of children the taxpayer is claiming.

For taxpayers with one or two children, the refundable portion of the child tax credit is the smaller of the unused portion of the child tax credit or fifteen percent of the person's earned income over \$3,000.

For taxpayers with three or more children, the refundable portion of the child tax credit is the smaller the following two amounts:

1. the unused portion of the child tax credit, or
2. The larger of either
  - 15% of a person's earned income over \$3,000, or
  - The sum of Social Security and Medicare taxes paid minus the earned income credit