



2019.20 Training

Subject: Child Tax Credits | Talking Points

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As a parent, you might be eligible to claim the new-and-improved Child Tax Credit (CTC) and Additional Child Tax Credit (ACTC).

What is the Child Tax Credit?

The Child Tax Credit is a credit for parents of children ages 16 and under. The value of the Child Tax Credit can differ for taxpayers, based on the parents' Modified Adjusted Gross Income (MAGI).

How much is the Child Tax Credit?

You may be able to claim a credit of up to \$2,000 for each qualifying child, and \$500 for each qualifying dependent. This credit reduces your tax bill dollar for dollar.

How to calculate the Child Tax Credit

The Child Tax Credit is worth up to \$2,000 for each qualifying child, but that amount is based on the MAGI of taxpayers. And the credit phases out by \$50 per child per \$1,000 your MAGI exceed the following thresholds:

- \$400,000 for jointly filed returns
- \$200,000 for all other returns

So your Child Tax Credit starts at \$2,000 per child, only diminishing if your income exceeds the above thresholds.

Use [IRS Publication 972](#) as a worksheet to help you calculate the Child Tax Credit.

Can I claim my child for the child tax credit?

To be eligible, you and the child must pass several IRS tests, based on their Uniform Definition of a Child:

1. The child must be age 16 or younger by the end of the tax year.
2. The child must be your biological child, stepchild, adopted child, foster child, sibling or descendent such as grandchild, niece or nephew.
3. The child must not have provided more than half of their own financial support during the tax year.
4. The child must be claimed as your dependent on your federal tax return.
5. The child must be a US citizen or a US national or resident alien.
6. The child must have lived with you for more than half of the year.

Is there an income limit?

You can claim the Child Tax Credit if your Modified Adjusted Gross Income (MAGI) is under \$200,000 – or under \$400,000 if you and your spouse file a joint return.

Is the credit refundable?

The Child Tax Credit reduces the amount of income tax you owe, up to the total amount. **It is also refundable up to \$1,400.** If you owe \$5,000 in taxes and are eligible for a \$2,000 Child Tax Credit, then your bill is now \$3,000. If you owe \$2,000 and your Child Tax Credit is \$3,000 then your tax bill is zero. You may receive a refund of the remaining \$1,000 credit by claiming the **Additional Child Tax Credit**.

How to claim the Child Tax Credit

If you are eligible for the credit, you can do so by claiming it on [Form 1040](#), or [Form 1040NR](#).

If a child's parents are separated or divorced, who claims the Child Tax Credit?

It's most common for the custodial parent to claim the Child Tax Credit. If, however, each parent provided half the child's financial support during the year, then either parent can claim the Child Tax Credit – though it's a good idea for both parents to communicate and reach an agreement about it. If there's no communication between the parents, the first parent to claim the child on their filed return will be the recipient of the credit.

What is the Additional Child Tax Credit (ACTC)?

The Additional Child Tax Credit is a refund that you may receive if your Child Tax Credit is greater than the total amount of income taxes you owe. For instance, if you're eligible for a \$2,000 Child Tax Credit and you owe \$1,000 in taxes, you may receive the remaining \$1,000 credit as a refund under the Additional Child Tax Credit.

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What is the maximum amount of refund given for the Additional Child Tax Credit?

You can receive up to \$1,400 by applying for the ACTC.

Is there an income requirement?

You must have an earned income of at least \$3,000 to qualify.