



## 2022.23 Training

***Subject: Claiming Tax Credits for a New Baby or Adopted Child | Talking Points***

# ***Table Of Contents***

[Can I claim my new child as a dependent?](#)

[Claiming the new standard deduction](#)

[The new standard deduction, by filing status, is:](#)

[Can I claim any credits or deductions for my adopted child?](#)

[Can I claim the Earned Income Tax Credit \(EITC\) if I have, or adopted, a new child?](#)

[Can I claim a credit for daycare expenses?](#)

[How did tax reform change the rules around having a child?](#)

[Can I claim childcare expenses on my tax return?](#)



## 2021.22 Training

## ***Subject: Claiming Tax Credits for a New Baby or Adopted Child | Talking Points***

Having or adopting a new child represents an enormous change in your life, but what does it mean for your taxes? Because of the 2017 Tax Cuts and Jobs Act (TCJA, or tax reform), the rules have drastically changed for new parents.

### **Can I claim my new child as a dependent?**

Tax reform did away with personal and dependent exemptions, meaning you can no longer receive an exemption for any dependent or yourself. Previously, the exemption amount was \$4,050 per dependent and taxpayers, and there was no limit to the number of dependents for whom you could claim it. All other benefits associated with a dependent remain the same and there is even a new one. So what are the tax benefits for dependents?

### **Claiming the new standard deduction**

Although the personal and dependent exemptions are no longer available, the standard deduction has almost doubled for each filing status, covering some of the missing exemption amount.

### **The new standard deduction, by filing status, is:**

The standard deduction is a specific dollar amount that reduces your taxable income. For the 2022 tax year, the standard deduction is \$25,900 for joint filers, \$19,400 for heads of household, and \$12,950 for single filers and those married filing separately.

| <b>Filing status</b>       | <b>2022 tax year</b> | <b>2023 tax year</b> |
|----------------------------|----------------------|----------------------|
| Single                     | \$12,950.            | \$13,850.            |
| Married, filing jointly    | \$25,900.            | \$27,700.            |
| Married, filing separately | \$12,950.            | \$13,850.            |
| Head of household          | \$19,400.            | \$20,800.            |

### **Can I claim any credits or deductions for my adopted child?**

Adoptive parents can still claim the Credit for Qualified Adoption Expenses, also known as the Adoption Credit, for all qualified adoption expenses paid. For the 2022 tax year, this nonrefundable credit is worth up to \$14,440 and can be claimed for costs related to the adoption of an eligible child (under age 18 and not a spouse's child). These expenses can include fees, court costs, legal fees, agency fees, travel expenses, and expenses required by the state as a condition of the adoption. Any unused portion of the credit can be carried over for five years. If the adopted child was born in the US or is a resident alien, you can claim the credit the year after you incurred the related expenses. But if the adoption is finalized the same year you began incurring related expenses, you can claim the Adoption Credit that year. If you incur adoption expenses in the year after the adoption is finalized, you can claim the credit for the year you incurred these expenses.

Even if the adoption is unsuccessful, you can still claim the credit.

If you adopt a "special needs" child, such as a child from foster care, you may claim the full credit even if you did not spend any money for the adoption. A "special needs" child is not necessarily a child with medical issues; the term also covers family groups and others with special circumstances. State and local agencies determine who qualifies as a "special needs" child.

### **Can I claim the Earned Income Tax Credit (EITC) if I have, or adopted, a new child?**

A new child raises the amount of income you can earn and the amount of the EITC you may be eligible for. If you were previously ineligible for the EITC, having a child may allow you to claim it.

### **Can I claim a credit for daycare expenses?**

The Child and Dependent Care Credit provides a tax break for many parents who are responsible for the cost of childcare. Though the credit is geared toward working parents or guardians, taxpayers who were full-time students or who were unemployed for part of the year may also qualify.

If you paid a daycare center, babysitter, summer camp, or other care provider to care for a qualifying child under age 13 or a disabled dependent of any age, you may qualify for a tax credit on your 2022 taxes of up to 35% of:

up to \$3,000 of qualifying expenses (for a maximum credit of \$1,050) for one child or dependent, or

up to \$6,000 of qualifying (for a maximum credit of \$2,100) for two or more children or dependents.

For example, for tax year 2022 a taxpayer with one qualifying person, \$3,000 in qualifying expenses and an AGI of \$60,000 would qualify for a nonrefundable credit of approximately \$600 (20% x \$3,000). By contrast, under the new law for tax year 2021 only, a taxpayer with the same circumstances can potentially claim a refundable credit of approximately \$1,500 (50% x \$3,000).

### **How did tax reform change the rules around having a child?**

If you've had a child, you can claim child-related tax benefits, such as the Child Tax Credit the credit for Child and Dependent Care Expenses. There is no longer an exemption deduction for dependents.

### **Can I claim childcare expenses on my tax return?**

Yes, you can claim a credit for your childcare expenses – the Child and Dependent Care Credit – though the amount of credit is based on your income.