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Practice **Advisor**

the tax law provides several benefits to parents. One such tax break, the child tax credit, allows you to claim a nonrefundable credit of up to $1,000, if you ...

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[The new "extenders law" enacted late in 2015 retains several key tax provisions and makes them permanent with certain modifications. This is the last of a series of articles on these tax breaks.]

It can costs hundreds of thousands of dollars to raise a child these days, but at least

To qualify for the child tax credit, a taxpayer must meet all of the seven following tests.

1. **Age.** The child must have been under age 17 at the end of the tax year for which the credit is being claimed. Thus, for a 2015 return, the child can’t be older than 16.
2. **Relationship**: The child must be your own child, a stepchild, or a foster child placed with you by a court or authorized agency. This definition includes an adopted child.
3. **Support:** The child cannot have provided more than half of his or her own financial support during the tax year.
4. **Dependency exemption:** The taxpayer must claim the child as a dependent on his or her tax return. This generally applies to a child under age 17 who doesn’t provide more than half of his or her own support.
5. **Citizenship**: The child must be a U.S. citizen, a U.S. national or a U.S. resident alien.
6. **Residency**: Generally, the child must have lived with the taxpayer for more than half of the tax year for which the credit is being claimed. But there are certain exceptions (e.g., for a child born in 2015). Also, temporary absences – for example, when a child is away at school – count as time lived with the taxpayer.
7. **Family income:** The child tax credit is phased out based on modified adjusted gross income (MAGI). The phaseout begins at $75,000 of MAGI for single filers and $110,000 for joint filers. For each $1,000 of income above the threshold, the credit is reduced by $50.

If the available credit exceeds the taxpayer’s liability, the tax bill is reduced to zero and any remaining unused credit is forfeited. However, with the refundable credit, an additional credit is available to the extent of 15 percent of earned income in excess of $3,000. This $3,000 threshold was scheduled to expire after 2017 and revert to $10,000, but the PATH Act retains the lower $3,000 amount and makes it permanent.