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Eight Tax Benefits of Children

Having children can help you to save on your taxes. The IRS has just revealed the ten tax benefits you can have when you have kids.

1. The most obvious tax benefit in having children is being able to claim dependency deductions. Most of the time, a child can be claimed as a dependent in the year they were born. For more information see IRS Publication 501, Exemptions, Standard Deduction, and Filing Information.
2. You can claim Child Tax credit for each of your children so long as they are below 17 years of age. If you do not benefit from the full amount of the Child Tax Credit, you may be eligible for the Additional Child Tax Credit. For more information see IRS Publication 972, Child Tax Credit.
3. If you hire someone to care for your children under 13 years of age while you go to work (or look for a job), you may be able to claim the Child and Dependent Care Credit. IRS Publication 503, Child and Dependent Care Expenses covers this provision.
4. If you incur expenses adopting a child, you may be eligible to claim for the Adoption Credit. In order to claim the Adoption Credit, you must file a paper tax return with required adoption-related documents. For details, see the instructions for IRS Form 8839, Qualified Adoption Expenses.
5. You can deduct insurance premiums that cover your child under 27 years of age if you are self-employed and pay for your own health insurance, even if your child is no longer your dependent.

6. Do you have children pursuing higher education? You may be able to claim Higher Education credits such as the American Opportunity credit and the Lifetime Learning credit that can offset your child's higher education fees. Some credits (like the two mentioned above) are dollar-for-dollar credits, meaning they reduce your expenses by the exact amount.

7. If you have an outstanding student loan, you may be able to deduct the interest paid on a student loan that qualifies for deduction. This is possible even if you do not itemize your deductions. See IRS Publication 970, Tax Benefits for Education for more information on the Higher Education credits.

8. If you are a wage-earner, self-employed or do farming, you can claim the Earned Income Tax Credit (EITC). This credit reduces your tax liability and may even give you a refund and is applicable whether or not you have children. For more information, check out IRS Publication 596, Earned Income Credit.