Temple Currency of THEIRS

Tax Credits of THEIRS

Tax and Credits					
	38	Amount from line 37 (adjusted gross income)		38	
	39a	Check if: ☐ **You** were born before January 2, 1949, ☐ Blind. ☐ **Spouse** was born before January 2, 1949, ☐ Blind. **Total boxes checked** ▶ 39a			
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b ☐			
	40	**Itemized deductions** (from Schedule A) **or** your **standard deduction** (see left margin)		40	
	41	Subtract line 40 from line 38		41	
	42	**Exemptions.** If line 38 is $150,000 or less, multiply $3,900 by the number on line 6d. Otherwise, see instructions		42	
	43	**Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43	
	44	**Tax** (see instructions). Check if any from: **a** ☐ Form(s) 8814 **b** ☐ Form 4972 **c** ☐		44	
	45	**Alternative minimum tax** (see instructions). Attach Form 6251		45	
	46	Add lines 44 and 45 ▶		46	
	47	Foreign tax credit. Attach Form 1116 if required	47		
	48	Credit for child and dependent care expenses. Attach Form 2441	48		
	49	Education credits from Form 8863, line 19	49		
	50	Retirement savings contributions credit. Attach Form 8880	50		
	51	Child tax credit. Attach Schedule 8812, if required	51		
	52	Residential energy credits. Attach Form 5695	52		
	53	Other credits from Form: **a** ☐ 3800 **b** ☐ 8801 **c** ☐	53		
	54	Add lines 47 through 53. These are your **total credits**		54	
	55	Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- ▶		55	

Standard Deduction for—

- People who check any box on line 39a or 39b **or** who can be claimed as a dependent, see instructions.
- All others:

Single or Married filing separately, $6,100

Married filing jointly or Qualifying widow(er), $12,200

Head of household, $8,950

[Refundable/Nonrefundable Tax Credits] ("[Tax Credits]")
Advancing the [Systematic Theology of THEIRS] ("[THEIRS]")
A resulting relationship between government and religious authority being [THEIRS]

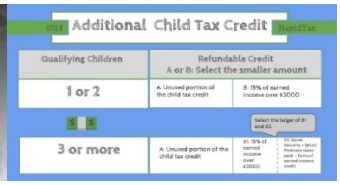
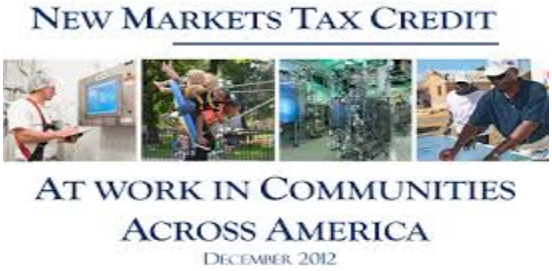
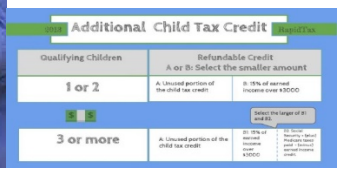


Figure 2. 2014 Earned Income Tax Credit Parameters

Type of Return	Maximum eligible earnings	Maximum credits	Begin phase-outs	Break even points	Credit Rate	Phase-out Rate
	Dollars				Percent	
Single Filers						
Childless	6,480	496	8,110	14,590	7.65	7.65
One child	9,720	3,305	17,830	38,511	34.00	15.98
Two children	13,650	5,460	17,830	43,756	40.00	21.06
Three or More Children	13,650	6,143	17,830	46,997	45.00	21.06
Married Couples Filing Jointly						
Childless	6,370	496	13,540	20,020	7.65	7.65
One child	9,560	3,305	23,260	43,941	34.00	15.98
Two children	13,430	5,460	23,260	49,186	40.00	21.06
Three or More Children	13,430	6,143	23,260	52,427	45.00	21.06





The Premium Tax Credit

This year, there are some changes to tax forms related to the Affordable Care Act. For the first time, you will report health care coverage on your tax return. Most taxpayers will simply check a box to indicate that each member of their family had qualifying health coverage for the whole year. And for taxpayers who received advance payments of the premium tax credit or are claiming the premium tax credit, there is also a new form they will have to complete.

To help navigate these changes, taxpayers and their tax professionals should consider filing their return electronically. Using tax preparation software is the best and simplest way to file a complete and accurate tax return as it guides individuals and tax preparers through the process and does all the math. There are a variety of electronic filing options, including free volunteer assistance, IRS Free File for taxpayers who qualify, commercial software, and professional assistance.

Basic Information

If you get your health insurance coverage through the Health Insurance Marketplace, you may be eligible for the premium tax credit. This tax credit can help make purchasing health insurance coverage more affordable for people with moderate incomes. Each year the Health Insurance Marketplace has an open enrollment period. The open enrollment period to purchase health care insurance for 2015 runs from Nov. 15, 2014, through Feb. 15, 2015. Contact the Marketplace at HealthCare.gov to enroll.

Information regarding the July 22, 2014 federal appeals courts premium tax credit rulings.

Information on the Nov. 7, 2014 announcement of the Supreme Court of the United States that it will hear arguments in King v. Burwell

The Department of Health and Human Services administers the requirements for the Marketplace and the health plans they offer. For more information about your coverage options, financial assistance and the Marketplace, visit HealthCare.gov.

Eligibility

In general, you may be eligible for the credit if you meet all of the following:

- buy health insurance through the Marketplace;
- are ineligible for coverage through an employer or government plan;
- are within certain income limits;
- do not file a Married Filing Separately tax return (unless you meet criteria which allows certain victims of domestic abuse and spousal abandonment to claim the premium tax credit using the Married Filing Separately filing status); and
- cannot be claimed as a dependent by another person.

If during enrollment, you are eligible for the credit, you can choose to:

- Get It Now: have some or all of the estimated credit paid in advance directly to your insurance company to lower what you pay out-of-pocket for your monthly premiums; or
- Get It Later: wait to get all of the credit when you file your tax return.

During enrollment the Marketplace will use information you provide about your projected income and family composition for the year to estimate the amount of the premium tax credit you will be able to claim on your tax return.

You will then decide whether you want to have all, some or none of your estimated credit paid in advance directly to your insurance company.

Claiming the Credit on Your Federal Tax Return

If you chose to have advance credit payments sent to your insurer, you must file a federal income tax return, even if otherwise not required to file. You must complete Form 8962, *Premium Tax Credit (PTC)* to claim the premium tax credit and reconcile your advance credit payments with the premium tax credit you are eligible to claim on your return. If the amount is less than the actual premium tax credit, you will get the difference as a higher refund or lower tax due. If the advance credit payments that were paid to your health care provider were more than the actual credit, you may need to pay the difference with your tax return. The completed Form 8962 must be filed with your federal income tax return.

If you enrolled in coverage through the Marketplace but didn't get the benefit of advance credit payments during 2014, if eligible, you may claim the premium tax credit when you file your return. You can complete Form 8962 to find out if you are eligible for the credit. You can also use our interactive tool, Am I eligible to claim the Premium Tax Credit?, to find out if you are eligible.

If you purchased coverage through the Health Insurance Marketplace you should receive Form 1095-A, *Health Insurance Marketplace Statement* from your Marketplace by early February. This form provides information you will need when completing Form 8962. If you have questions about the information on Form 1095-A for 2014, or about receiving Form 1095-A for 2014, you should contact your Marketplace directly. The IRS will not be able to answers questions about the information on your Form 1095-A or about missing or lost forms.

Filing electronically is the easiest way to file a complete and accurate tax return. Electronic Filing options include free Volunteer Assistance, IRS Free File, commercial software and professional assistance.

Penalty Relief Related to Repayment of Excess Advance Payments of the Premium Tax Credit for 2014

Starting with 2014 tax returns, just like taxpayers reconcile their tax withholding with their actual tax liability and get refunds or make an additional payment accordingly, individuals benefiting from tax credits for Marketplace coverage will follow the same process. Normally, taxpayers may owe certain penalties for late payments or underpayment of estimated tax. However, to help smooth the process for the first year of the Affordable Care Act, the IRS will waive these penalties (Notice 2015-09), for eligible taxpayers if they resulted from repayment of excess advance payments of the premium tax credit for Marketplace coverage. This has no effect on the fee individuals will pay if they chose not to buy affordable health coverage. Penalties do not apply to underpayment of this shared responsibility payment, although interest will accrue for late payments. IRS will continue to assess the fee without change.

Taxpayers will need to take the following simple actions to qualify for penalty relief related to repayment of excess advance payments of the premium tax credit:

- Failure to Pay: Taxpayers who are subject to a "failure to pay" penalty will receive a notice and demand for payment in the mail that will include an address for responses. Taxpayers should submit a letter to this address that contains the statement: "I am eligible for the relief granted under Notice 2015-09 because I received excess advance payment of the premium tax credit."
- Penalty for Underpayment of Estimated Taxes: Taxpayers should check box A in Part II of Form 2210, *Underpayment of Estimated Tax by Individuals, Estates and Trusts*, complete page 1 of the form, and include the form with their return, along with the statement: "Received excess advance payment of the premium tax credit." No further action is required.

This relief does not extend the April 15, 2015 due date. However, to obtain an extension individuals can file Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, on or before April 15, 2015. An extension of time to file a tax return does not extend the time to pay taxes—even if a taxpayer is granted an extension to file their return, their tax payment is still due by April 15, 2015.

Change in Circumstances

Report income and family size changes to the Marketplace throughout the year. Reporting changes will help make sure you get the proper type and amount of financial assistance and will help you avoid getting too much or too little in advance. Receiving too much or too little in advance can affect your refund or balance due when you file your tax return.

For example, if you do not report income or family size changes to the Marketplace when they happen, the advance payments may not match your actual qualified credit amount on your federal tax return. This might result in a smaller refund or a balance due.

More Information

More detailed information about the credit is available in our Questions and Answers. The Department of the Treasury and the IRS issued the following legal guidance related to the premium tax credit:

- **Publication 5120:** Your Credit, Your Choice – Get it Now or Get it Later English | Spanish
- **Publication 5121:** Need help paying for health insurance premiums? English | Spanish
- **Publication 5152**: Report changes to the Marketplace as they happen English | Spanish
- Form 8962 Instructions
- Final regulations on the rules for individuals who enroll in qualified health plans through Marketplaces and claim the premium tax credit.
- Final regulations on the premium tax credit affordability test for related individuals.
- Proposed regulations on determining minimum value of eligible employer-sponsored plans and other rules regarding the premium tax credit.
- Notice 2013-41 on determining whether or when individuals are considered eligible for coverage under certain Medicaid, Medicare, CHIP, TRICARE, student health or state high risk pool programs.

An electronic flyer (Publication 5120 English | Spanish) and trifold (Publication 5121 English | Spanish) entitled Facts about the Premium Tax Credit are available for public use and distribution.

Page Last Reviewed or Updated: 04-Mar-2015
http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/The-Premium-Tax-Credit

Credits & Deductions

There are a variety of credits and deductions for individual and business taxpayers.

The Earned Income Tax Credit, and the Child and Dependent Care Credit help millions of families every year. There are also a number of credits for small and large businesses. You may have taken deductions when you prepared your annual tax return. In addition to the standard deduction for individuals, common deductions include home mortgage interest, state and local tax, and charitable contributions. Many business expenses are deductible as well.

Individual Credits

- Earned Income Tax Credit
- Education Credits
- Child and Dependent Care Credit
- Adoption Credit
- Saver's Credit

> more credits for individuals

Business Credits

- Small Business Health Care Credit
- Plug-in Electric Vehicle Credit

> more credits for business

http://www.irs.gov/Credits-&-Deductions

EITC Home Page--It's easier than ever to find out if you qualify for EITC

EITC, the Earned Income Tax Credit, sometimes called EIC is a tax credit to help you keep more of what you earned. To qualify, you must meet certain requirements and file a tax return, even if you do not owe any tax or are not required to file.

EITC Assistant--Find out if you qualify for EITC

It's easier than ever to find out if you qualify for EITC using our online tool, the EITC Assistant. It is available in both English and Spanish for the 2014 tax year (filed in 2015) and for 2013 and 2012. Use this year's EITC Assistant to find out your filing status, if you are eligible for EITC, if your child is a qualifying child and estimate the amount of your credit.

What Can We Help You Find?

Do I Qualify for EITC?
To qualify for EITC you must have earned income from employment, self-employment or another source and meet certain rules. You must either meet the rules for workers without a qualifying child or have a child that meets all the qualifying child rules for you.

How Do I Claim EITC?
You need to file a tax return to claim EITC. Find out how—documents you need, common errors to watch for, the consequences of filing an EITC return with an error, how to get help preparing your return and more.

It's not too late to file your tax returns for 2011, 2012 and 2013 to claim EITC if you were eligible. But you must file to claim it! Find out more.

EITC Income Limits, Maximum Credit Amounts and Tax Law Updates
See the EITC Income Limits, Maximum Credit Amounts and Tax Law Updates for the current year, previous years and the upcoming tax year.

I Received a Letter from IRS about EITC, What Should I Do?

More EITC Resources

Special EITC Rules
Special EITC rules for members of the military, ministers, members of the clergy, those receiving disability benefits and those impacted by disasters.

Disability and EITC
Many persons with disabilities or persons having children with disabilities qualify for EITC.

EITC Publications, Forms, Brochures and Other Resources
List of all EITC-related publications, forms and on line resources.

Find Specific EITC Information for:

Tax Professionals
EITC Partners in Outreach
Employers

EITC Multilingual Page
Connects you to information in Chinese, Korean, Russian, Spanish and Vietnamese.

Spanish
Para información en español sobre EITC, vea Información sobre los límites del Crédito por Ingreso del Trabajo

EITC Central
Hosts the Outreach Toolkit, the Refundable Credit Toolkit, the Tax Return Preparer Toolkit, Marketing Express and Information for the Press .The Refundable Credits toolkit covers education credits and the Child tax Credit.

Guides to Find Everything EITC Online

- For You, Publication 4935
- For Return Preparers, Publication 4933

Read more about EITC

Publication 596 in English (PDF) or Publication 596SP,Credito por Ingreso del Trabajo (PDF)

Child Related Tax Benefits

See our chart showing some of the basic eligibility requirements for tax benefits

These documents include a list of IRS multilingual, large print and Braille resources.

Most Common EITC Questions and Answers
Do you have questions about EITC? We have the answers.

EITC Definitions and Acronyms

Don't Overlook State and Local Credits
If you qualify to claim EITC on your federal income tax return, you also may be eligible for a similar credit on your state or local income tax return. Twenty-two states, the District of Columbia, New York City, and Montgomery County, Maryland, offer their residents an earned income tax credit.

EITC and other Public Benefits
Refunds received from Earned Income Tax Credit (EITC or EIC), Child Tax Credit (CTC) or any other tax credit are not considered income for any federal or federally funded public benefit program. If you save your tax credit for more than 30 days, contact your state, tribal or local government benefit coordinator to find out if your benefits count as assets.

IRS Reports on the Earned Income Tax Credit

- Compliance Estimates for the Earned Income Tax Credit Claimed on 2006-2008 Returns
- Compliance Estimates for Earned Income Tax Credit Claimed on 1999 Returns (PDF)
- EITC Statistics for Tax Years Beginning in 1997, the Number and Amount of Claims
- Qualifying Child Residency Certification, Filing Status, and Automated Underreported Tests (PDF)
- Qualifying Child Residency Certification, Filing Status, and Automated Underreported Tests - Addendum (PDF)
- IRS Earned Income Tax Credit Initiative Report on Fiscal Year 2005 Tests
- Earned Income Tax Credit Program Effectiveness and Program Management FY 2002 – FY 2003 dated August 8, 2003

available to taxpayers with a qualifying child

See if you qualify for the Child Tax Credit and the Additional Child Tax Credit using the Interactive Tax Assistant

Don't overlook the Education Credits--AOTC and LLC

Child and Dependent Care Credit information

See if you qualify for the Child and Dependent Care Credit using the Interactive Tax Assistant

Find out Who You can Claim as a Dependent using the Interactive Tax Assistant

See frequently asked questions about Dependents and Exemptions

Find out your filing status using the Interactive Tax Assistant

Helpful Sites
TAS Tax Toolkit
Learn how TAS, the Taxpayer Advocate Service, can help you. This toolkit is available 24 hours a day, seven days a week and makes it easier for you to understand basic tax information. TAS is an independent organization within the IRS whose employees assist taxpayers experiencing economic hardship, seeking help in resolving tax problems not resolved through normal channels, or who believe an IRS system or procedure is not working as it should.

Low Income Taxpayer Clinics
Low Income Taxpayer Clinics, LITCs represent taxpayers before the Internal Revenue Service. They also assist taxpayers in audits, appeals, collection disputes and can help taxpayers respond to IRS notices and help correct account problems.

Missing Children

The IRS is partnering with the National Center for Missing & Exploited Children (NCMEC) to help search for missing children. For more information:

- Visit the NCMEC website.
- Call NCMEC at 1-800-843-5678

Page Last Reviewed or Updated: 25-Jan-2015

http://www.irs.gov/Individuals/EITC-Home-Page-Its-easier-than-ever-to-find-out-if-you-qualify-for-EITC

Tax Benefits for Education: Information Center

Tax credits, deductions and savings plans can help taxpayers with their expenses for higher education.

- A tax credit reduces the amount of income tax you may have to pay.
- A deduction reduces the amount of your income that is subject to tax, thus generally reducing the amount of tax you may have to pay.
- Certain savings plans allow the accumulated earnings to grow tax-free until money is taken out (known as a distribution), or allow the distribution to be tax-free, or both.
- An exclusion from income means that you won't have to pay income tax on the benefit you're receiving, but you also won't be able to use that same tax-free benefit for a deduction or credit.

You can use the IRS's Interactive Tax Assistant tool to help determine if you're eligible for educational credits or deductions, including the American opportunity credit, the lifetime learning credit and the tuition and fees deduction.

Credits

An education credit helps with the cost of higher education by reducing the amount of tax owed on your tax return. If the credit reduces your tax to less than zero, you may get a refund. There are two education credits available: the American Opportunity Tax Credit and the Lifetime Learning Credit.

Who Can Claim an Education Credit?

There are additional rules for each credit, but you must meet all three of the following for either credit:

1. You, your dependent or a third party pays qualified education expenses for higher education.
2. An eligible student must be enrolled at an eligible educational institution.
3. The eligible student is yourself, your spouse or a dependent you list on your tax return.

If you're eligible to claim the lifetime learning credit and are also eligible to claim the American opportunity credit for the same student in the same year, you can choose to claim either credit, but not both. You can't claim the AOTC if you were a nonresident alien for any part of the tax year unless you elect to be treated as a resident alien for federal tax purposes. For more information about AOTC and foreign students, visit American Opportunity Tax Credit - Information for Foreign Students.

Deductions

Tuition and Fees Deduction

You may be able to deduct qualified education expenses paid during the year for yourself, your spouse or your dependent. You cannot claim this deduction if your filing status is married filing separately or if another person can claim an exemption for you as a dependent on his or her tax return. The qualified expenses must be for higher education.

The tuition and fees deduction can reduce the amount of your income subject to tax by up to $4,000. This deduction, reported on Form 8917, Tuition and Fees Deduction, is taken as an adjustment to income. This means you can claim this deduction even if you do not itemize deductions on Schedule A (Form 1040). This deduction may be beneficial to you if, for example, you cannot take the lifetime learning credit because your income is too high.

You may be able to take one of the education credits for your education expenses instead of a tuition and fees deduction. You can choose the one that will give you the lower tax.

Generally, you can claim the tuition and fees deduction if all three of the following requirements are met:

- You pay qualified education expenses of higher education.
- You pay the education expenses for an eligible student.
- The eligible student is yourself, your spouse, or your dependent for whom you claim an exemption on your tax return.

You cannot claim the tuition and fees deduction if any of the following apply:

- Your filing status is married filing separately.
- Another person can claim an exemption for you as a dependent on his or her tax return. You cannot take the deduction even if the other person does not actually claim that exemption.
- Your modified adjusted gross income (MAGI) is more than $80,000 ($160,000 if filing a joint return).
- You were a nonresident alien for any part of the year and did not elect to be treated as a resident alien for tax purposes. More information on nonresident aliens can be found in Publication 519, U.S. Tax Guide for Aliens.
- You or anyone else claims an education credit for expenses of the student for whom the qualified education expenses were paid.

Student-activity fees and expenses for course-related books, supplies and equipment are included in qualified education expenses only if the fees and expenses must be paid to the institution as a condition of enrollment or attendance.

Student Loan Interest Deduction

Generally, personal interest you pay, other than certain mortgage interest, is not deductible on your tax return. However, if your modified adjusted gross income (MAGI) is less than $75,000 ($150,000 if filing a joint return), there is a special deduction allowed for paying interest on a student loan (also known as an education loan) used for higher education. Student loan interest is interest you paid during the year on a qualified student loan. It includes both required and voluntary interest payments.

For most taxpayers, MAGI is the adjusted gross income as figured on their federal income tax return before subtracting any deduction for student loan interest. This deduction can reduce the amount of your income subject to tax by up to $2,500.

The student loan interest deduction is taken as an adjustment to income. This means you can claim this deduction even if you do not itemize deductions on Form 1040's Schedule A.

Qualified Student Loan

This is a loan you took out solely to pay qualified education expenses (defined later) that were:

- For you, your spouse, or a person who was your dependent when you took out the loan.
- Paid or incurred within a reasonable period of time before or after you took out the loan.
- For education provided during an academic period for an eligible student.

Loans from the following sources are not qualified student loans:

- A related person.
- A qualified employer plan.

Qualified Education Expenses

For purposes of the student loan interest deduction, these expenses are the total costs of attending an eligible educational institution, including graduate school. They include amounts paid for the following items:

- Tuition and fees.
- Room and board.
- Books, supplies and equipment.
- Other necessary expenses (such as transportation).

The cost of room and board qualifies only to the extent that it is not more than the greater of:

- The allowance for room and board, as determined by the eligible educational institution, that was included in the cost of attendance (for federal financial aid purposes) for a particular academic period and living arrangement of the student, or
- The actual amount charged if the student is residing in housing owned or operated by the eligible educational institution.

Business Deduction for Work-Related Education

If you are an employee and can itemize your deductions, you may be able to claim a deduction for the expenses you pay for your work-related education. Your deduction will be the amount by which your qualifying work-related education expenses plus other job and certain miscellaneous expenses is greater than 2% of your adjusted gross income. An itemized deduction may reduce the amount of your income subject to tax.

If you are self-employed, you deduct your expenses for qualifying work-related education directly from your self-employment income. This may reduce the amount of your income subject to both income tax and self-employment tax.

Your work-related education expenses may also qualify you for other tax benefits, such as the tuition and fees deduction and the lifetime learning credit. You may qualify for these other benefits even if you do not meet the requirements listed above.

To claim a business deduction for work-related education, you must:

- Be working.
- Itemize your deductions on Schedule A (Form 1040 or 1040NR) if you are an employee.
- File Schedule C (Form 1040), Schedule C-EZ (Form 1040), or Schedule F (Form 1040) if you are self-employed.
- Have expenses for education that meet the requirements discussed under Qualifying Work-Related Education, below.

Qualifying Work-Related Education

You can deduct the costs of qualifying work-related education as business expenses. This is education that meets at least one of the following two tests:

- The education is required by your employer or the law to keep your present salary, status or job. The required education must serve a bona fide business purpose of your employer.
- The education maintains or improves skills needed in your present work.

However, even if the education meets one or both of the above tests, it is not qualifying work-related education if it:

- Is needed to meet the minimum educational requirements of your present trade or business or
- Is part of a program of study that will qualify you for a new trade or business.

You can deduct the costs of qualifying work-related education as a business expense even if the education could lead to a degree.

Education Required by Employer or by Law

Education you need to meet the minimum educational requirements for your present trade or business is not qualifying work-related education. Once you have met the minimum educational requirements for your job, your employer or the law may require you to get more education. This additional education is qualifying work-related education if all three of the following requirements are met.

- It is required for you to keep your present salary, status or job.
- The requirement serves a business purpose of your employer.
- The education is not part of a program that will qualify you for a new trade or business.

When you get more education than your employer or the law requires, the additional education can be qualifying work-related education only if it maintains or improves skills required in your present work.

Education to Maintain or Improve Skills

If your education is not required by your employer or the law, it can be qualifying work-related education only if it maintains or improves skills needed in your present work. This could include refresher courses, courses on current developments and academic or vocational courses.

Savings Plans

529 Plans

States sponsor 529 plans — qualified tuition programs authorized under section 529 of the Internal Revenue Code — that allow taxpayers to either prepay or contribute to an account for paying a student's qualified higher education expenses. Similarly, colleges and groups of colleges sponsor 529 plans that allow them to prepay a student's qualified education expenses. These 529 plans have, in recent years, become a popular way for parents and other family members to save for a child’s college education. Though contributions to 529 plans are not deductible, there is also no income limit for contributors.

529 plan distributions are tax-free as long as they are used to pay qualified higher education expenses for a designated beneficiary. Qualified expenses include tuition, required fees, books and supplies. For someone who is at least a half-time student, room and board also qualify.

For 2009 and 2010, an ARRA change to tax-free college savings plans and prepaid tuition programs added to this list expenses for computer technology and equipment or Internet access and related services to be used by the student while enrolled at an eligible educational institution. Software designed for sports, games or hobbies does not qualify, unless it is predominantly educational in nature. In general, expenses for computer technology are not qualified expenses for the American opportunity credit, lifetime learning credit or tuition and fees deduction.

Coverdell Education Savings Account

This account was created as an incentive to help parents and students save for education expenses. Unlike a 529 plan, a Coverdell ESA can be used to pay a student's eligible k-12 expenses, as well as post-secondary expenses. On the other hand, income limits apply to contributors, and the total contributions for the beneficiary of this account cannot be more than $2,000 in any year, no matter how many accounts have been established. A beneficiary is someone who is under age 18 or is a special needs beneficiary.

Contributions to a Coverdell ESA are not deductible, but amounts deposited in the account grow tax free until distributed. The beneficiary will not owe tax on the distributions if they are less than a beneficiary's qualified education expenses at an eligible institution. This benefit applies to qualified higher education expenses as well as to qualified elementary and secondary education expenses.

Here are some things to remember about distributions from Coverdell accounts:

- Distributions are tax-free as long as they are used for qualified education expenses, such as tuition and fees, required books, supplies and equipment and qualified expenses for room and board.

- There is no tax on distributions if they are for enrollment or attendance at an eligible educational institution. This includes any public, private or religious school that provides elementary or secondary education as determined under state law. Virtually all accredited public, nonprofit and proprietary (privately owned profit-making) post-secondary institutions are eligible.

- Education tax credits can be claimed in the same year the beneficiary takes a tax-free distribution from a Coverdell ESA, as long as the same expenses are not used for both benefits.

- If the distribution exceeds qualified education expenses, a portion will be taxable to the beneficiary and will usually be subject to an additional 10% tax. Exceptions to the additional 10% tax include the death or disability of the beneficiary or if the beneficiary receives a qualified scholarship.

For more information, see Topic 310 – Coverdell Education Savings Accounts.

Scholarships and Fellowships

A scholarship is generally an amount paid or allowed to, or for the benefit of, a student at an educational institution to aid in the pursuit of studies. The student may be either an undergraduate or a graduate. A fellowship is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research. Generally, whether the amount is tax free or taxable depends on the expense paid with the amount and whether you are a degree candidate.

A scholarship or fellowship is tax free only if you meet the following conditions:

- You are a candidate for a degree at an eligible educational institution.
- You use the scholarship or fellowship to pay qualified education expenses.

Qualified Education Expenses

For purposes of tax-free scholarships and fellowships, these are expenses for:

- Tuition and fees required to enroll at or attend an eligible educational institution.
- Course-related expenses, such as fees, books, supplies, and equipment that are required for the courses at the eligible educational institution. These items must be required of all students in your course of instruction.

However, in order for these to be qualified education expenses, the terms of the scholarship or fellowship cannot require that it be used for other purposes, such as room and board, or specify that it cannot be used for tuition or course-related expenses.

Expenses that Don't Qualify

Qualified education expenses do not include the cost of:

- Room and board.
- Travel.
- Research.
- Clerical help.
- Equipment and other expenses that are not required for enrollment in or attendance at an eligible educational institution.

This is true even if the fee must be paid to the institution as a condition of enrollment or attendance. Scholarship or fellowship amounts used to pay these costs are taxable.

For more information, see Pub. 970.

Exclusions from Income

You may exclude certain educational assistance benefits from your income. That means that you won't have to pay any tax on them. However, it also means that you can't use any of the tax-free education expenses as the basis for any other deduction or credit, including the lifetime learning credit.

Employer-Provided Educational Assistance

If you receive educational assistance benefits from your employer under an educational assistance program, you can exclude up to $5,250 of those benefits each year. This means your employer should not include the benefits with your wages, tips, and other compensation shown in box 1 of your Form W-2.

Educational Assistance Program

To qualify as an educational assistance program, the plan must be written and must meet certain other requirements. Your employer can tell you whether there is a qualified program where you work.

Educational Assistance Benefits

Tax-free educational assistance benefits include payments for tuition, fees and similar expenses, books, supplies, and equipment. The payments may be for either undergraduate- or graduate-level courses. The payments do not have to be for work-related courses. Educational assistance benefits do not include payments for the following items.

- Meals, lodging, or transportation.
- Tools or supplies (other than textbooks) that you can keep after completing the course of instruction.
- Courses involving sports, games, or hobbies unless they:
  - Have a reasonable relationship to the business of your employer, or
  - Are required as part of a degree program.

Benefits over $5,250

If your employer pays more than $5,250 for educational benefits for you during the year, you must generally pay tax on the amount over $5,250. Your employer should include in your wages (Form W-2, box 1) the amount that you must include in income.

Working Condition Fringe Benefit

However, if the benefits over $5,250 also qualify as a working condition fringe benefit, your employer does not have to include them in your wages. A working condition fringe benefit is a benefit which, had you paid for it, you could deduct as an employee business expense. For more information on working condition fringe benefits, see *Working Condition Benefits* in chapter 2 of Publication 15-B, Employer's Tax Guide to Fringe Benefits.

Related Items:

- IR-2013-18, IRS To Accept Tax Returns with Education Credits, Depreciation Next Week
- IR-2013-10, IRS To Accept Returns Claiming Education Credits by Mid-February
- IR-2009-78, Special IRS Web Section Highlights Back-to-School Tax Breaks; Popular 529 Plans Expanded, New $2,500 College Credit Available
- Fact Sheet 2009-12, How 529 Plans Help Families Save for College; and How the American Recovery and Reinvestment Act of 2009 Expanded 529 Plan Features
- 529 Plans: Questions and Answers
- Pub. 970, Tax Benefits for Education
- Tax Tip 2009-30,Offset Education Costs
- FS-2009-2, Tax Credits Provide Funds for First-Time Homebuyers, Childcare, Education and More
- Education Credits
- Tax Incentives for Higher Education

Page Last Reviewed or Updated: 15-Jan-2015

http://www.irs.gov/uac/Tax-Benefits-for-Education:-Information-Center

---

Topic 602 - Child and Dependent Care Credit

You may be able to claim the child and dependent care credit if you paid expenses for the care of a qualifying individual to enable you and your spouse filing a joint return to work or actively look for work. You may not take this credit if your filing status is married filing separately. The credit amount is a percentage of the amount of work-related expenses you paid to a care provider for the care of a qualifying individual. The percentage depends on your adjusted gross income.

The total expenses that you may use to calculate the credit should not be more than $3,000 (one qualifying individual) or $6,000 (two or more qualifying individuals). Expenses paid for the care of a qualifying individual are eligible expenses if the primary reason is to assure the individual's well-being and protection.

A **qualifying individual** for the child and dependent care credit is:

- Your dependent qualifying child who is under age 13 when the care is provided,
- Your spouse who is physically or mentally incapable of self-care and lived with you for more than half the year, or
- A person who is **physically** or **mentally incapable** of self-care, lived with you for more than half the year and either: (i) is your dependent; or (ii) could have been your dependent except that he or she is over the gross income limit or files a joint return, or you (or

your spouse, if filing jointly) could have been claimed on another taxpayer's 2014 return.

An individual is **physically** or **mentally incapable** of self-care if, as a result of a physical or mental defect, the individual is incapable of caring for his or her hygiene or nutritional needs, or requires the full-time attention of another person for the individual's own safety or the safety of others.

A noncustodial parent who is claiming a child as a dependent should review the rules in the topic *Child of Divorced or Separated Parents or Parents Living Apart* in Publication 503, *Child and Dependent Care Expenses*, as the rules for claiming dependency exemptions are different from the rules for a qualifying person for the child and dependent care credit. If a person is a qualifying individual for only a part of the tax year, only those expenses paid during that part of the year are included in calculating the credit. You must provide the taxpayer identification number (usually the Social Security number) of each qualifying individual.

The provided care may be in the household or outside the household; however, do not include any amounts that are not primarily for the well-being of the person. You should divide the expenses between amounts for care and the amounts that are not for care. You must reduce the remaining qualifying expenses by the amount of any dependent care benefits provided by your employer that you exclude from gross income. In general, you can exclude up to $5,000 for dependent care benefits received from your employer. Additionally, in general, the expenses claimed may not exceed the smaller of your earned income or your spouse's earned income; however, a special rule applies if your spouse is a full-time student or incapable of self-care.

Care Providers - You must identify all persons or organizations that provide care for your child or dependent. You must report the name, address and taxpayer identification number (either the Social Security number or the employer identification number) of the care provider on your return. If the care provider is a tax-exempt organization, you need only report the name and address on your return. You can use Form W-10 (PDF), *Dependent Care Provider's Identification and Certification*, to request this information from the care provider. If you cannot provide information regarding the care provider, you may still be eligible for the credit if you can show that you exercised due diligence in attempting to provide the required information. If you pay a provider to care for your dependent or spouse in your home, you may be a household employer. If you are a household employer, you may have to withhold and pay Social Security and Medicare taxes and pay federal unemployment tax. For more information, refer to Publication 926, *Household Employer's Tax Guide*, or Topic 756.

The **care provider cannot be** your spouse, the parent of your qualifying individual, your child who is under the age of 19 or a dependent whose exemption you claim on your return.

If you qualify for the credit, complete Form 2441 (PDF), Child and Dependent Care Expenses, and Form 1040 (PDF) or Form 1040A (PDF). If you received dependent care benefits from your employer (amount is shown on your Form W-2 (PDF)), you must complete Part III of Form 2441. You cannot claim the child and dependent care credit if you use Form 1040EZ (PDF). For more information about qualifying for this credit, refer to Publication 503, *Child and Dependent Care Expenses* and to Can You Claim the Child and Dependent Care Credit? on IRS.gov.

More Tax Topic Categories

Page Last Reviewed or Updated: February 04, 2015

http://www.irs.gov/taxtopics/tc602.html

Topic 607 - Adoption Credit and Adoption Assistance Programs

Tax benefits for adoption include both a tax credit for qualified adoption expenses paid to adopt an eligible child and an exclusion for employer-provided adoption assistance. The credit is nonrefundable, which means it is limited to your tax liability for the year. The maximum amount (dollar limit) for 2014 is $13,190 per child.

Qualified adoption expenses

For both the credit and the exclusion, qualified adoption expenses, defined in section 23(d)(1) of the Code, include:

- Reasonable and necessary adoption fees,
- Court costs and attorney fees,
- Traveling expenses (including amounts spent for meals and lodging while away from home), and
- Other expenses that are directly related to and for the principal purpose of the legal adoption of an eligible child.

An eligible child is an individual who is under the age of 18, or is physically or mentally incapable of self-care.

Qualified adoption expenses **do not include** expenses that a taxpayer pays to adopt the child of the taxpayer's spouse.

Qualified adoption expenses include expenses incurred by a registered domestic partner who lives in a state that allows same-sex second parent or co-parent to adopt his or her partner's child, adoption expenses and that otherwise qualify for the credit.

Income and dollar limitations

The credit and exclusion are each subject to an income limitation and a dollar limitation. The **income limit** on the adoption credit or exclusion is based on your modified adjusted gross income (MAGI). If your MAGI amount for 2014 falls between $197,880 and $237,880, your credit or exclusion is subject to a phaseout (is reduced or eliminated). For tax year 2014, the MAGI phaseout begins at $197,880 and ends at $237,880. Thus, if your MAGI amount is below $197,880 for 2014, your credit or exclusion will not be affected by the MAGI phaseout but if your MAGI amount for 2014 is above $237,880, your credit or exclusion will be zero.

You should reduce the **dollar limit** for a particular year by the amount of qualified adoption expenses used in the previous years for the **same adoption effort**. For example, if you claimed a $3,000 credit in connection with a domestic adoption in 2013 and paid an additional $13,190 of qualified adoption expenses in 2014 (when the adoption became final), the maximum credit you can claim in 2014 is $10,190 ($13,190 dollar limit, less $3,000 of qualified adoption expenses claimed in 2013).

The **dollar limitation** applies separately to both the credit and the exclusion, and you may be able to claim both the credit and the exclusion for qualified expenses. However, you must claim any allowable exclusion before claiming any allowable credit. Expenses used for the exclusion reduce the amount of qualified adoption expenses available for the credit. As a result, you cannot claim both a credit and an exclusion for the same expenses. Examples 1, 2 and 3 illustrate these rules.

Example 1. In 2014, the following events occur: (a) You pay $13,190 of qualified adoption expenses in connection with an adoption of an eligible child; (b) your employer reimburses you for $3,190 of those expenses; and (3) the adoption becomes final. Your MAGI amount for 2014 is less than $197,880. Assuming you meet all other requirements, you can exclude $3,190 from your gross income for 2014. However, the expenses allowable for the adoption credit are limited to $10,000 ($13,190 total expenses paid less $3,190 employer reimbursement).

Example 2. The facts are the same as in Example 1, except that you pay $18,190 of qualified adoption expenses and your employer reimburses you for $5,000 of those expenses. Assuming you meet all other requirements, you can exclude $5,000 from your gross income for 2014 and claim a $13,190 adoption credit ($18,190 total expenses paid less $5,000 employer reimbursement).

Example 3. The facts are the same as in Example 1, except that you pay $30,000 of qualified adoption expenses and your employer reimburses you for $13,190 of those expenses. Assuming you meet all other requirements, you can exclude $13,190 from your gross income for 2014. You can also claim a credit of $13,190. The remaining $3,620 of expenses ($30,000 total expenses paid, less $13,190 dollar-limited exclusion, less $13,190 dollar-limited credit), cannot be used for either the exclusion or the adoption credit due to the **dollar limitation**.

Timing rules: For what tax year can you claim the credit?

The tax year for which you can claim the credit depends on the following:

- When the expenses are paid;
- Whether it is a domestic adoption or a foreign adoption; and
- Whether the adoption has finalized in the year.

Generally, the credit is allowable whether the adoption is domestic or foreign. However, the timing rules for claiming the credit for qualified adoption expenses differ between the two types of adoption.

- A **domestic adoption** is the adoption of a U.S. child (an eligible child who is a citizen or resident of the U.S. or its possessions before the adoption effort begins). Qualified adoption expenses paid before the year the adoption becomes final are allowable as a credit for the tax year **following the year of payment** (even if the adoption is never finalized).
- A **foreign adoption** is the adoption of an eligible child who is not yet a citizen or resident of the U.S. or its possessions before the adoption effort begins. Qualified adoption expenses paid before and during the year are allowable as a credit for the **year when it becomes final**.

Once an **adoption becomes final**, qualified adoption expenses **paid during or after** the year of finality are allowable as a credit for the **year of payment**, whether the adoption is foreign or domestic. Because of these timing rules, a taxpayer may sometimes claim a credit for both prior-year and current-year qualified adoption expenses in the year of finality. Example 4 illustrates the difference.

Example 4. An adoptive parent pays qualified adoption expenses of $3,000 in 2012, $4,000 in 2013 and $5,000 in 2014. In 2014, the adoption becomes final.

If the adoption in **Example 4 is domestic**, the adoptive parent may claim the $3,000 of expenses paid in 2012 as a credit on the parent's 2013 tax return. Then the adoptive parent claims both the $4,000 paid in 2013 and the $5,000 paid in 2014 as a credit on their 2014 tax return. The credit claimed on the 2014 tax return includes the $4,000 paid in 2013, because 2014 is the year after the year in which it was paid. The $5,000 is claimed on the 2014 return because 2014 is the year when the adoption becomes final. Since the adoption credit is nonrefundable, the total $9,000 credit claimed on the 2014 tax return reduces any tax liability for 2014. The excess, if any, will be carried forward to the next year.

If the adoption in **Example 4 is foreign**, the adoptive parent may claim all $12,000 in qualified adoption expenses ($3,000 paid in 2012, $4,000 paid in 2013 and $5,000 in 2014) on the adoptive parent's 2014 tax return because 2014 is the year when the adoption becomes final.

Adoption of U.S. children that a state has determined to have special needs

If you adopt a U.S. child that a state has determined to have special needs, you are eligible for the maximum amount of credit or exclusion for the year the adoption is final, even if you did not pay qualified adoption expenses.

A **child has special needs** for purpose of the adoption expenses if:

1. The child is a citizen or resident of the United States or its possessions when the adoption effort began;
2. A state determines that the child cannot or should not be returned to his or her parent's home; and
3. The state determines that the child probably will not be adoptable without assistance provided to the adoptive family.

Do not confuse "children with special needs" for purposes of the adoption credit with the definitions of "children with special needs" for other purposes. Foreign children are not considered to have special needs for purposes of the adoption credit. Even U.S. children who have disabilities may not have special needs for purposes of the adoption credit. Generally, **"special needs" adoptions** are the adoptions of children whom the state's child welfare agency considers **difficult to place for adoption**.

Filing status

To determine your filing status, see Publication 501, *Exemptions, Standard Deductions, and Filing Information*, and What is My Filing Status? on IRS.gov.

If you filed your return using the married filing separately filing status in the year particular qualified adoption expenses are first allowable, you cannot claim the credit or exclusion for those particular expenses. You may need to file an amended return to change to a qualifying filing status within the period of limitations.

Example 5. Husband and wife pay qualified adoption expenses of $3,000 in 2012, $4,000 in 2013, and $5,000 in 2014. In 2014, the domestic adoption becomes final. They have filed married filing separately for all prior tax years.

On the 2014 tax return they file married filing jointly and only $9,000 ($4,000 paid in 2013 and $5,000 paid in 2014) of the expenses qualify for 2014. Since they filed married filing separately in 2013 and the $3,000 paid in 2012 is first allowable for 2013, they cannot claim the adoption credit for those expenses unless they change their filing status to married filing jointly for 2013.

Form 8839 and instructions

To claim the adoption credit or exclusion, complete Form 8839 (PDF), *Qualified Adoption Expenses*, and attach the form to your Form 1040 (PDF), *U.S. Individual Income Tax Return*, or Form 1040NR (PDF), *U.S. Nonresident Alien Income Tax Return*.

There is no longer a requirement to attach the adoption documentation with your tax return. However, you must keep the documentation as part of your records. The IRS encourages taxpayers to e-file their federal income tax returns. Form 8839 can be e-filed with Form 1040 or Form 1040NR. Consequently, taxpayers who e-file their tax returns need not print and mail completed forms to the IRS.

More Tax Topic Categories

Page Last Reviewed or Updated: February 04, 2015

http://www.irs.gov/taxtopics/tc607.html

Topic 610 - Retirement Savings Contributions Credit

If you make eligible contributions to certain eligible retirement plans or to an individual retirement arrangement (IRA), you may be able to take a tax credit. The amount of the saver's credit you can get is generally based on the contributions you make and your credit rate. For more information, refer to Publication 590-A (PDF), *Contributions to Individual Retirement Arrangements (IRAs)*, or the instructions for Form 8880 (PDF), *Credit for Qualified Retirement Savings Contributions*. If you are eligible for the credit, your credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income. The lower your income (or joint income, if applicable), the higher the credit rate; your credit rate also depends on your filing status. These two factors will determine the maximum credit you can take. You are not eligible for the credit if your adjusted gross income exceeds a certain amount. Dependents and full-time students are also not eligible for the credit.

Use Form 8880 (PDF) to determine the rate and amount of the credit. Enter the amount of the credit on Form 1040 (PDF), Form 1040A (PDF), *U.S. Individual Income Tax Return*, or on Form 1040NR (PDF), *U.S. Nonresident Alien Income Tax Return*. You cannot use Form 1040EZ (PDF), *Income Tax Return for Single and Joint Filers With No Dependents*, to claim this credit.

More Tax Topic Categories

Page Last Reviewed or Updated: February 04, 2015

http://www.irs.gov/taxtopics/tc610.html

Small Business Health Care Tax Credit for Small Employers

Small employer? Get the credit you deserve.

If you are a small employer. . .

with fewer than 25 full-time equivalent employees,

pay an average wage of less than $50,000 (as adjusted for inflation beginning in 2014) a year, and pay at least half of employee health insurance premiums

. . .then there is a tax credit that may put money in your pocket.

What You Need to Know about the Small Business Health Care Tax Credit

How will the credit make a difference for you?
For tax years 2010 through 2013, the maximum credit is 35 percent of premiums paid for small business employers and 25 percent of premiums paid for small tax-exempt employers such as charities.

For tax years beginning in 2014 or later, there are changes to the credit:

- The maximum credit increases to 50 percent of premiums paid for small business employers and 35 percent of premiums paid for small tax-exempt employers.
- To be eligible for the credit, a small employer must pay premiums on behalf of employees enrolled in a qualified health plan offered through a Small Business Health Options Program (SHOP) Marketplace or qualify for an exception to this requirement.
- The credit is available to eligible employers for two consecutive taxable years.

Here's what this means for you. If you pay $50,000 a year toward employees' health care premiums — and if you qualify for a 15 percent credit, you save... $7,500. If you save $7,500 a year from tax year 2010 through 2013, that's total savings of $30,000. If, in 2014, you qualify for a slightly larger credit, say 20 percent, your savings go from $7,500 a year to $10,000 a year.

Even if you are a small business employer who did not owe tax during the year, you can carry the credit back or forward to other tax years. Also, since the amount of the health insurance premium payments is more than the total credit, eligible small businesses can still claim a business expense deduction for the premiums in excess of the credit. That's both a credit and a deduction for employee premium payments.

There is good news for small tax-exempt employers too. The credit is refundable, so even if you have no taxable income, you may be eligible to receive the credit as a refund so long as it does not exceed your income tax withholding and Medicare tax liability. Refund payments issued to small tax-exempt employers claiming the refundable portion of credit are subject to sequestration. For more information on sequestration, click here.

And finally, if you can benefit from the credit this year but forgot to claim it on your tax return, there's still time to file an amended return. Refund limitations may apply. Generally, a claim for refund must be filed within 3 years from the time the return was filed or 2 years from the time the tax was paid, whichever of such periods expires the later, or if no return was filed by the taxpayer, within 2 years from the time the tax was paid.

Click here if you want more examples of how the credit applies in different circumstances.

Can you claim the credit?

Versión en Español
Información acerca del Crédito Tributario por Cuidados de Salud para Pequeñas Empresas

Questions and Answers
Got questions? We have answers.

Small Business Health Care Tax Credit Estimator
Use the estimator to find out whether you may be eligible and get an estimate of how much you might receive.

Forms and Step-by-Step Instructions
Form 8941, Credit for Small Employer Health Insurance Premiums and Instructions for Form 8941

Additional Guidance
Additional guidance on the credit is available in Notices 2010-44, 2010-82 and Notice 2014-6. Find guidance for the 2014 changes in REG-113792-13 and TD 9672.

News Releases
Affordable Care Act News Releases, Multimedia and Legal Guidance.

Widgets
IRS small business health care tax credit Widgets available on Marketing Express.

Information Flyer
Flyer on the Small Business Health Care Tax Credit for small employers.

Video
Overview of the Small Business Health Care Tax Credit.

Now that you know how the credit can make a difference for your business, let's determine if you can claim it.

To be eligible, you must cover at least 50 percent of the cost of employee-only (not family or dependent) health care coverage for each of your employees. You must also have fewer than 25 full-time equivalent employees (FTEs). Those employees must have average wages of less than $50,000 (as adjusted for inflation beginning in 2014) per year. Remember, you will have to purchase insurance through the SHOP Marketplace (or qualify for an exception to this requirement) to be eligible for the credit for tax years 2014 and beyond. Participating in the direct enrollment process, such as the one adopted by federally-facilitated SHOP Marketplaces, counts as SHOP Marketplace participation for 2014 only.

Let us break it down for you even more.

You are probably wondering: what IS an FTE. Basically, two half-time employees count as one FTE. That means 20 half-time employees are equivalent to 10 FTEs, which makes the number of FTEs 10, not 20.

Now let's talk about average annual wages. Say you pay total wages of $200,000 and have 10 FTEs. To figure average annual wages you divide $200,000 by 10 — the number of FTEs — and the result is your average annual wage. The average annual wage would be $20,000.

Also, the amount of the credit you receive works on a sliding scale. The smaller the business or charity, the bigger the credit. So if you have more than 10 FTEs or if the average wage is more than $25,000 (as adjusted for inflation beginning in 2014), the amount of the credit you receive will be less.

How do you claim the credit?

You must use Form 8941, Credit for Small Employer Health Insurance Premiums, to calculate the credit. For detailed information on filling out this form, see the Instructions for Form 8941.

If you are a small business, include the amount as part of the general business credit on your income tax return.

If you are a tax-exempt organization, include the amount on line 44f of the Form 990-T, Exempt Organization Business Income Tax Return. You must file the Form 990-T in order to claim the credit, even if you don't ordinarily do so.

Don't forget... if you are a small business employer, you may be able to carry the credit back or forward. And if you are a tax-exempt employer, you may be eligible for a refundable credit.

Page Last Reviewed or Updated: 15-Jan-2015

http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers

Credits & Deductions for Individuals

Subtract tax credits from the amount of tax you owe. There are two types of tax credits:

- A *nonrefundable tax credit* means you get a refund only up to the amount you owe for taxes.
- A *refundable tax credit* means you get a refund, even if it is more than what you owe.

Credits for Individuals

Family & Dependents

- Earned Income Tax Credit
- Child and Dependent Care Credit
- Adoption Credit
- Child Tax Credit
- Credit for the Elderly or Disabled

Health Care

- Premium Tax Credit (Affordable Care Act)

Income and Savings

- Earned Income Tax Credit
- Saver's Credit
- Foreign Tax Credit
- Excess Social Security and RRTA Tax Withheld
- Credit for Tax on Undistributed Capital Gain
- Nonrefundable Credit for Prior Year Minimum Tax
- Credit to Holders of Tax Credit Bonds

Education

- Lifetime Learning Credit
- American Opportunity Tax Credit

Homeowners

- Mortgage Interest Credit
- Residential Energy Efficient Property Credit
- Nonbusiness Energy Property Credit
- Low-Income Housing Credit (for Owners)

Electric Vehicle Credit

- Plug-in Electric Drive Motor Vehicle Credit
- Plug-in Conversion Credit (Section 30B(i))
- Alternative Fuel Vehicle Refueling Property Credit (Section 30C)
- New Qualified Fuel Cell Motor Credit (Section 30B(b))

http://www.irs.gov/Credits-&-Deductions/Individuals

Credits & Deductions for Individuals

Family & Dependents - Earned Income Tax Credit

IRS

Life's a little easier with eitc

earned income tax credit

Earned Income Tax Credit is for people who work for someone else or own or run a business. To qualify, you must have low to mid income. If you qualify, you must file a federal tax return to get EITC even if you owe no tax and are not required to file. With EITC, you could pay less federal tax, pay no tax, or receive money back. The amount of EITC changes based on:

- if you are single or married
- if you have no children or one or more children living with you.

All people eligible for EITC have seven things in common:

1. Have earned income
2. Have a valid Social Security number
3. Do not file as married filing separately
4. Generally are not a nonresident alien
5. Are not a qualifying child of another person
6. Are not filing Form 2555 or Form 2555-EZ
7. Have limited investment income

Four most common EITC filing errors:

1. Claiming a child who does not meet the four tests for a qualifying child for EITC: age, relationship, residency, and joint return
2. Filing as single or head of household when married
3. Under or over reporting income or expenses
4. Social Security number and last name mismatches

Going for tax help or return preparation? Go prepared with:

- Your valid driver's license or other photo id card
- Social security cards or a Social Security number (SSN) verification letter for all persons listed on the return
- Birth dates for all persons listed on return
- All income statements: Forms W-2 and 1099, Social Security, unemployment, and other statements, such as pensions, stocks, interest and any documents showing taxes withheld. If self-employed or you own or run a business, bring records of all your income
- All records of expenses, such as tuition, mortgage interest, or real estate taxes. If self-employed or you own or run a business, bring records of all your expenses.
- Copies of last year's state and federal tax returns, if you have them
- Bank routing numbers and account numbers to direct deposit any refund
- Dependent child care information: name and address of who you paid and either the caretaker's SSN or other tax identification number
- Both spouses to sign forms to e-file your joint tax return

Your preparer, whether paid or volunteer, needs to ask many questions to file your return correctly. Avoid an audit, additional tax, penalties or interest by giving your preparer all your tax information and answering all questions.

Will you be paying someone to do your taxes?

Be sure to choose one who uses a Preparer Tax identification number (PTIN) and signs your returns. See irs.gov for more information on how to choose a tax return preparer.

See if you qualify.
www.irs.gov/eitc

Call 1.800.829.1040 or
Ask Your Tax Preparer

Publication 4194 (Rev. 5-2012) Catalog Number 59737M Department of the Treasury **Internal Revenue Service** www.irs.gov

Earned Income Tax Credit (EITC)

Español | 中文 | 한국어 | TiếngViêt | Русский

The Earned Income Tax Credit, EITC or EIC, is a benefit for working people with low to moderate income. To qualify, you must meet certain requirements and file a tax return, even if you do not owe any tax or are not required to file. EITC reduces the amount of tax you owe and may give you a refund.

Who Qualifies?

Do I Qualify for EITC?

To qualify for EITC you must have earned income from working for someone or from running or owning a business or farm and meet basic rules. And, you must either meet additional rules for workers without a qualifying child or have a child that meets **all** the qualifying child rules for you.

EITC Assistant

Use the EITC Assistant to see if you qualify for tax years: 2015, 2014 and 2013. The EITC Assistant helps you find out your filing status, if your child is a qualifying child, if you are eligible and estimate the amount of the EITC you may get.

Income Limits and Table

See the EITC Income Limits, Maximum Credit Amounts and Tax Law Updates for the current year, previous years and the upcoming tax year.

Claiming EITC

How Do I Claim EITC?

You need to file a tax return to claim EITC. Find out:

- the documents you need
- the common errors to watch for
- the consequences of filing an EITC return with an error
- how to get help preparing your return

- what you need to do if your EITC was denied in a previous year
- how to claim the credit for earlier tax years

Received a Notice?

I Received a Letter from IRS about EITC, What Should I Do?

We send letters about EITC that may:

- suggest you claim EITC if you do qualify
- ask you to send information to verify your EITC claim
- provide important information about your claim

This letter/notice page lets you know what you need to do if you receive a letter or notice from us about EITC.

Specialized Resources

Visit EITC Central for tools and information specifically geared to IRS partners, community organizations, employers, government agencies and offices, and tax preparers.

- Outreach Toolkit
- Refundable Credit Toolkit for Education Credits and the Child Tax Credit
- Tax Return Preparer Toolkit
- Marketing Express
- Information for the Press

Missing Children

The IRS is partnering with the National Center for Missing & Exploited Children (NCMEC) to help search for missing children. For more information:

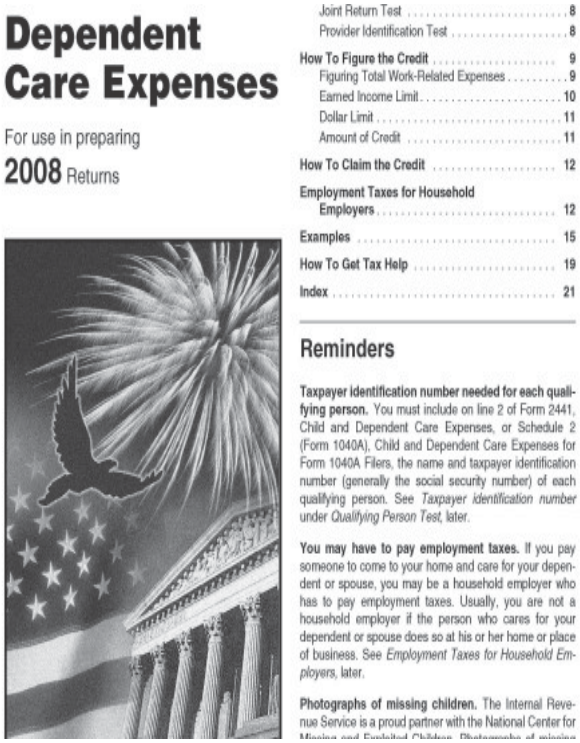
- Visit the NCMEC website.
- Call NCMEC at 1-800-843-5678

Page Last Reviewed or Updated: 11-Mar-2016

https://www.irs.gov/Credits-%26-Deductions/Individuals/Earned-Income-Tax-Credit

Credits & Deductions for Individuals

Family & Dependents – Child and Dependent Care Credit



Dependent Care Expenses

For use in preparing

2008 Returns

Reminders

Taxpayer identification number needed for each qualifying person. You must include on line 2 of Form 2441, Child and Dependent Care Expenses, or Schedule 2 (Form 1040A), Child and Dependent Care Expenses for Form 1040A Filers, the name and taxpayer identification number (generally the social security number) of each qualifying person. See *Taxpayer identification number* under *Qualifying Person Test*, later.

You may have to pay employment taxes. If you pay someone to come to your home and care for your dependent or spouse, you may be a household employer who has to pay employment taxes. Usually, you are not a household employer if the person who cares for your dependent or spouse does so at his or her home or place of business. See *Employment Taxes for Household Employers*, later.

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for

IRS

Ten Things to Know About the Child and Dependent Care Credit

IRS Tax Tip 2011-46, March 7. 2011

If you paid someone to care for your child, spouse, or dependent last year, you may be able to claim the Child and Dependent Care Credit on your federal income tax return. Below are 10 things the IRS wants you to know about claiming a credit for child and dependent care expenses.

1. The care must have been provided for one or more qualifying persons. A qualifying person is your dependent child age 12 or younger when the care was provided. Additionally, your spouse and certain other individuals who are physically or mentally incapable of self-care may also be qualifying persons. You must identify each qualifying person on your tax return.

2. The care must have been provided so you – and your spouse if you are married filing jointly – could work or look for work.

3. You – and your spouse if you file jointly – must have earned income from wages, salaries, tips, other taxable employee compensation or net earnings from self-employment. One spouse may be

considered as having earned income if they were a full-time student or were physically or mentally unable to care for themselves.

4. The payments for care cannot be paid to your spouse, to the parent of your qualifying person, to someone you can claim as your dependent on your return, or to your child who will not be age 19 or older by the end of the year even if he or she is not your dependent. You must identify the care provider(s) on your tax return.

5. Your filing status must be single, married filing jointly, head of household or qualifying widow(er) with a dependent child.

6. The qualifying person must have lived with you for more than half of 2010. There are exceptions for the birth or death of a qualifying person, or a child of divorced or separated parents. See Publication 503, Child and Dependent Care Expenses.

7. The credit can be up to 35 percent of your qualifying expenses, depending upon your adjusted gross income.

8. For 2010, you may use up to $3,000 of expenses paid in a year for one qualifying individual or $6,000 for two or more qualifying individuals to figure the credit.

9. The qualifying expenses must be reduced by the amount of any dependent care benefits provided by your employer that you deduct or exclude from your income.

10. If you pay someone to come to your home and care for your dependent or spouse, you may be a household employer and may have to withhold and pay social security and Medicare tax and pay federal unemployment tax. See Publication 926, Household Employer's Tax Guide.

For more information on the Child and Dependent Care Credit, see Publication 503, Child and Dependent Care Expenses. You may download these free publications from http://www.irs.gov or order them by calling 800-TAX-FORM (800-829-3676).

Links:

- Publication 503, Child and Dependent Care Expenses (PDF 167K)
- Form W-10, Dependent Care Provider's Identification and Certification (PDF 31K)
- Form 2441, Child and Dependent Care Expenses (PDF)
- Form 2441 Instructions (PDF 32K)
- Publication 17, Your Federal Income Tax (PDF 2,075K)
- Tax Topic 602
- Publication 926, Household Employer's Tax Guide

Subscribe to Tax Tips

Page Last Reviewed or Updated: 19-May-2015

https://www.irs.gov/uac/Ten-Things-to-Know-About-the-Child-and-Dependent-Care-Credit

You may be able to claim the child and dependent care credit if you paid expenses for the care of a qualifying individual to enable you (and your spouse, if filing a joint return) to work or actively look for work. You may not take this credit if your filing status is married filing separately. The amount of the credit is a percentage of the amount of work-related expenses you paid to a care provider for the care of a qualifying individual. The percentage depends on your adjusted gross income.

Dollar Limit

The total expenses that you may use to calculate the credit may not be more than $3,000 (for one qualifying individual) or $6,000 (for two or more qualifying individuals). Expenses paid for the care of a qualifying individual are eligible expenses if the primary reason for paying the expense is to assure the individual's well-being and protection. If you received dependent care benefits that you exclude or deduct from your income, you must subtract the amount of those benefits from the dollar limit that applies to you.

Qualifying Individual

A *qualifying individual* for the child and dependent care credit is:

- Your dependent qualifying child who is under age 13 when the care is provided,
- Your spouse who is physically or mentally incapable of self-care and lived with you for more than half of the year, or
- An individual who is physically or mentally incapable of self-care, lived with you for more than half of the year, and either: (i) is your dependent; or (ii) could have been your dependent except that he or she has gross income that equals or exceeds the exemption amount, or files a joint return, or you (or your spouse, if filing jointly) could have been claimed as a dependent on another taxpayer's 2015 return.

Physically or Mentally Not Able to Care for Oneself - An individual is physically or mentally incapable of self-care if, as a result of a physical or mental defect, the individual is incapable of caring for his or her hygiene or nutritional needs, or requires the full-time attention of another person for the individual's own safety or the safety of others.

Children of Divorced or Separated Parents or Parents Living Apart - A noncustodial parent who is claiming a child as a dependent should review the rules under the topic *Child of divorced or separated parents or parents living apart* in Publication 503, *Child and Dependent Care Expenses*, because a child may be treated as the qualifying individual of the custodial parent for the child and dependent care credit, even if the noncustodial parent is entitled to claim the dependency exemption for the child.

Individual Qualifying for Part of Year - If an individual is a qualifying individual for only a part of the tax year, only those expenses paid for care of the individual during that part of the year are included in calculating the credit.

Taxpayer Identification Number - You must provide the taxpayer identification number (usually the social security number) of each qualifying individual.

Care of a Qualifying Individual

The care may be provided in the household or outside the household; however, do not include any amounts that are not primarily for the well-being of the individual. You should divide the expenses between amounts that are primarily for the care of the individual and amounts that are not primarily for the care of the individual. You must reduce the expenses primarily for the care of the individual by the amount of any dependent care benefits provided by your employer that you exclude from gross income. In general, you can exclude up to $5,000 for dependent care benefits received from your employer. Additionally, in general, the expenses claimed may not exceed the smaller of your

earned income or your spouse's earned income; however, a special rule applies if your spouse is a full-time student or incapable of self-care.

Care Providers

You must identify all persons or organizations that provide care for your child or dependent. You must report the name, address, and taxpayer identification number (either the social security number or the employer identification number) of the care provider on your return. If the care provider is a tax-exempt organization, you need only report the name and address of the organization on your return. You can use Form W-10 (PDF), *Dependent Care Provider's Identification and Certification*, to request this information from the care provider. If you cannot provide information regarding the care provider, you may still be eligible for the credit if you can show that you exercised due diligence in attempting to provide the required information. If you pay a provider to care for your dependent or spouse in your home, you may be a household employer. If you are a household employer, you may have to withhold and pay social security and Medicare taxes and pay federal unemployment tax. For more information, refer to *Employment Taxes for Household Employers* in Publication 503, Publication 926, *Household Employer's Tax Guide*, or Topic 756.

Payments to Relatives or Dependents - The care provider cannot be your spouse, the parent of your qualifying individual, your child who is under the age of 19, or a dependent for whom you or your spouse may claim an exemption on your return.

Reporting on Your Tax Return

If you qualify for the credit, complete Form 2441 (PDF), *Child and Dependent Care Expenses*, and Form 1040 (PDF) or Form 1040A (PDF), *U.S. Individual Income Tax Return*, or Form 1040NR (PDF), *U.S. Nonresident Alien Income Tax Return*. If you received dependent care benefits from your employer (an amount is shown on your Form W-2 (PDF), *Wage and Tax Statement*), you must complete Part III of Form 2441. You cannot claim the child and dependent care credit if you use Form 1040EZ (PDF), *Income Tax Return for Single and Joint Filers With No Dependents*.

Additional Information

For more information about qualifying for this credit and dependent care benefits, refer to Publication 503, *Child and Dependent Care Expenses*, and Am I Eligible to Claim the Child and Dependent Care Credit?

More Tax Topic Categories

Page Last Reviewed or Updated: February 05, 2016

https://www.irs.gov/taxtopics/tc602.html