



What Docs Should Know About...

Tax Credits

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Tax credits help families with child care and dependent care expenses

- Low and moderate-income families have difficulty affording quality child care as the cost of care for one infant ranges from \$3,803 to \$13,480 a year. In 42 states, infant child care fees are higher than tuition at a 4-year public university.¹ For a 4-year-old, child care fees range from \$3,016 to \$9,628 a year.
- Federal and state tax credits can help offset child care and dependent care expenses for working families by lowering the taxes that families have to pay, and in some cases, giving cash refunds to families whose incomes are too low to owe income taxes.²
- The Child and Dependent Care Credit, Child Tax Credit, and Earned Income Tax Credit are federal tax credits, and many states have similar state tax credits. The combination of federal and state tax credits can amount to thousands of dollars for low and moderate-income families.

Which tax credits can working families claim?

- In 2003, the **Federal Earned Income Tax Credit (EITC)** lifted 4.4 million people out of poverty, including 2.4 million children.³ Depending on eligibility requirements, the EITC can be worth up to **\$4,400**.⁴
- The **Federal Credit for Child and Dependent Care Expenses** is available to individuals who paid for child or dependent care in order to work. This credit is worth up to **\$2,100**.⁵
- The **Federal Child Tax Credit** can help offset some of the costs of raising children. Families who owe little or no income tax credit can receive at least some of this credit as a refund, which is worth up to **\$1,000** per child if they have at least \$11,000 in earnings.⁶
- Immigrants are also eligible for some of these tax credits. Legal immigrants and their qualifying children must have a valid Social Security Number or Individual Taxpayer Identification Number to claim these tax credits. Confidentiality laws in the IRS protect individual information and do not allow information from a tax return to be disclosed unless it is a case of criminal fraud or investigation of terrorism.⁷

Docs can help families access these credits

- Many low to moderate-income families miss out on tax credits because they are unaware of their eligibility. Doctors can inform parents and families about the tax credits available to them, and how to use these credits to help offset the cost of child care.
- Doctors can direct families to free tax preparation services that will prepare the tax return and make sure that all of the applicable tax credits are claimed.
- The Volunteer Income Tax Assistance Program (VITA), a program of the IRS, is a free tax preparation service that offers free tax help to low- to moderate-income families in local communities. Please call 1-800-829-1040, the IRS helpline, and ask for local VITA information to locate a VITA site by zip code, city, or state. Services are available in both English and Spanish.

Docs can find additional information about tax credits at: <http://www.nwlc.org/details.cfm?id=2493§ion=tax>.

¹ The Nation's Network of Child Care Resource and Referral (NACCRRA). (2006). "Breaking the Piggy Bank: Parents and the High Price of Child Care." http://www.naccrra.org/docs/policy/price_report_summary.pdf.

² National Women's Law Center Tax Credits Outreach Campaign. (2005). A Toolkit for Child Care Advocates. 2006 Tax Filing Season. <http://www.nwlc.org/pdf/TCOCToolkitTY05.pdf>.

³ Greenstein, Robert. (2005). The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor. Center on Budget and Policy Priorities. http://www.cbpp.org/7-19-05eic.htm#_edn7.

⁴ National Women's Law Center Tax Credits Outreach Campaign. (2005). A Toolkit for Child Care Advocates. 2006 Tax Filing Season. <http://www.nwlc.org/pdf/TCOCToolkitTY05.pdf>.

⁵ Ibid.

⁶ Ibid.

⁷ Children's Defense Fund. Immigrant Families and Tax Credits Frequently Asked Questions. http://www.childrensdefense.org/benefits/tools/FAQ_Immigrants.pdf.