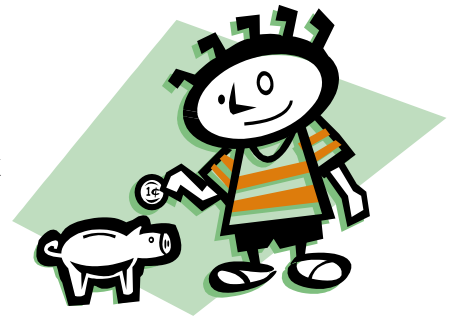


Tax benefits of having kids

Cash in on your kids. Your kids are worth a bundle at tax time.



Dependency exemption:

The exemption for claiming a child for 2015 is \$4,000.

This means that the federal tax savings for each of your qualifying children is \$1000 if you are in the 25% bracket.

Child Tax Credit:

If your 2015 income is under the phase-out range, you will get an extra \$1,000 **credit** for each child under age 17. The phase-out range begins at \$110,000 for married taxpayers filing joint, \$75,000 for single taxpayers, and \$55,000 for married taxpayers filing separate. Ending phase-out amounts vary. If your credit is in the phase-out range, you might consider increasing your tax deferred retirement contribution to lower your income. If your credit is more than your tax, some or all of the excess may still be available for refund.

Earned Income Credit:

If you are a low income wage earner with a qualifying child, you may qualify for the Earned Income Credit. This credit will be refunded to you even if you owe no tax.

Child Care Credit:

Child care expenses for your qualifying child are eligible for either of the following:

- A tax credit of 20-35% (based on income) of the first \$3,000 spent on child care. (\$6,000 for two or more children).
- A \$5,000 exclusion from income under an employer plan.

Taxpayers with more than one child and lower income will benefit more from the credit, but most taxpayers will benefit most from the exclusion from wages.

The qualifying child needs to be your dependent unless you are divorced or separated. In the case of divorce or separation, the custodial parent gets the Child Care Credit. The non-custodial parent gets no tax benefit for paying for child care.

American Opportunity Tax Credit:

Your children in college might qualify you for the American Opportunity Tax Credit. The credit is 100% of the first \$2,000 spent for tuition and required materials, and 25% of the second \$2,000. The maximum credit is \$2,500 per student for all four years of college. To qualify, your income needs to be under \$90,000 (\$180,000 MFJ). Also, if your tax is reduced to 0, you may still get 40% of the credit refunded.

Adoption Credit:

Missing out on all of these tax savings due to lack of kids? Adopt one. You could get a tax **credit** of up to \$13,400 for 2015 if you qualify.