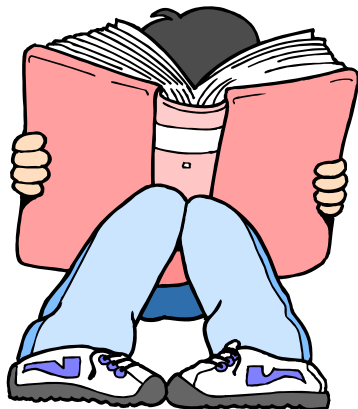


FEDERAL CHILD TAX CREDIT



(Tax Year 2011)

What is it?

The Federal Child Tax Credit (CTC) is for taxpayers raising dependent children under age 17. Families can get a credit of up to \$1,000 for each child. The CTC is partially refundable, meaning that families whose tax liability equals less than \$1,000 per child can receive part or all of the difference as a refund.

Who Qualifies?

The Federal Child Tax Credit is available to families whose children meet the following criteria:

- ✧ A qualifying child must be the tax filer's own child, a relative cared for as the tax filer's own child, or a foster child placed by an agency, and must have lived with the filer in the U.S. for more than half the year.
- ✧ The child must have been under age 17 for the entire 2011 tax year.
- ✧ The child must be a U.S. citizen with a valid Social Security number, or a legal resident with an Individual Taxpayer Identification Number (ITIN).

How Does it Work?

- ✧ Taxpayers must have taxable earned income over \$3,000 in 2011 to qualify for a refund. Filers first apply a Federal Child Tax Credit of \$1,000 per child to reduce or eliminate their tax liability. Families who still have CTC remaining after their tax liability has been eliminated may receive a refund in the lesser of two amounts: 1) the amount of CTC that remains, or 2) 15 percent of the family's earned income over \$3,000.
- ✧ Filers with children who receive the Earned Income Tax Credit (EITC), and who owe income tax, may also receive the CTC. The Child Tax Credit will not reduce benefits from the EITC.

How Do Filers Claim the Credit?

- ✧ To claim the credit, workers must file Form 1040 or 1040A. Workers claiming the Child Tax Credit cannot use the 1040 EZ.
- ✧ Filers should complete the CTC worksheet included in the tax form. If, after the completion of the worksheet, the filer has eliminated his/her income tax, or if the filer has three or more children, the filer should complete Form 8812 for the Additional Child Tax Credit.

Where Can Filers Get Free Tax Help?

Filers should be encouraged to avoid going to commercial preparers for tax services that cost them money. There are two ways that filers can submit their taxes for free:

- 1) If they do not need much help, they can file taxes themselves. They can use paper forms, or they can file electronically for free using **I-CAN! E-File**, a web-based software that is available at www.MichiganEIC.org or www.icanefile.org. It is written at a fifth-grade literacy level and is available in English and Spanish.
- 2) Filers can also get free tax assistance at one of the many Volunteer Income Tax Assistance (VITA) sites around Michigan. Information on the location and hours of the VITA sites is available at www.MichiganEIC.org or by calling 2-1-1 (or 1-800-552-1183 if 2-1-1 is not available). In some counties, 2-1-1 is also able to determine EITC eligibility or set appointments for tax assistance.



Remember...

Workers who know they will be eligible for the Federal Child Tax Credit in 2012 can arrange to have less income tax withheld from their pay, since the credit reduces their income tax. This can increase their take-home pay throughout the year.