



Federal Child Tax Credit

(Tax Year 2016)

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 IS A “QUALIFYING CHILD” FOR THE CTC?

- Sons, daughters, stepchildren, grandchildren and adopted children.
- Brothers, sisters, stepbrothers or stepsisters—as well as descendants of such relatives.
- Foster children who are placed with the filer by an authorized government or private placement agency.
- A child claimed for the CTC must be under age 17 at the end of 2016.
- The child must live with the filer for more than half of the year in the U.S. and must be either a citizen or a legal resident. The child must have either a valid Social Security number or an Individual Taxpayer Identification Number.

The definition of “qualifying child” for the CTC differs in two important ways from the definition for the EITC:

- A child may not be claimed for the CTC if the child provides over one-half of his or her own support; the worker must claim the dependent exemption for the child.
- Noncustodial parents allowed to claim a child as a dependent by a divorce or separation agreement are entitled to claim the child for the CTC.

HOW DOES IT WORK?

- Taxpayers must have taxable earned income over \$3,000 in 2016 to qualify for a refund. Filers first apply a 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% of the family’s earned income over \$3,000.
- Filers with children who receive the Earned Income Tax Credit, 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 1040EZ.
- 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 Schedule 8812 for the Additional Child Tax Credit.

SAVE MONEY!

You can find out where to get free tax help at www.michiganfreetaxhelp.org.