



Raising a child can cost hundreds of thousands of dollars these days. Thankfully, the tax law provides several benefits to parents. The Child Tax Credit allows you to claim a nonrefundable credit of up to \$1,000, if you qualify, plus an additional refundable credit. However, after a series of tax law changes, the tax benefit of the additional credit was scheduled to be reduced in future years.

Now the new Protecting Americans from Tax Hikes (PATH) Act comes to the rescue. Under the PATH Act, the higher refundable credit is preserved and made permanent once and for all.

To qualify for the child tax credit, a taxpayer must meet all of the seven following tests

1. **Age.** The child must have been under age 17 at the end of the tax year for which the credit is being claimed. Therefore, a child cannot be older than 16 for a 2015 tax return.
2. **Relationship:** The child must be either yours, a stepchild, or a foster child placed with you by a court or authorized agency. This definition includes an adopted child.
3. **Support:** The child cannot have provided more than 50% of his or her own financial support during the year.
4. **Dependency exemption:** The taxpayer must claim the child as a dependent on their return. This generally applies to a child under age 17 who doesn't provide more than half of his or her own support.
5. **Citizenship:** The child must be a U.S. citizen, a U.S. national or a U.S. resident alien.
6. **Residency:** The child must have lived with you for more than half of the tax year for which the credit is being claimed. But there are certain exceptions (e.g., for a child born in 2015). Also, temporary absences – for example, when a child is away at school – count as time lived with the taxpayer.
7. **Family income:** The child tax credit is phased out based on modified adjusted gross income (MAGI). The phase-out begins at \$75,000 of MAGI for single filers and \$110,000 for joint filers. For each \$1,000 of income above the threshold, the credit is reduced by \$50.

If the available credit exceeds the taxpayer's liability, the tax bill is reduced to zero and any remaining unused credit is forfeited. However, with the refundable credit, an additional credit is available to the extent of 15 percent of earned income in excess of \$3,000.

