

Tips for Taxes: A Tip Sheet for CCR&R's on Child Care Taxes

Can you believe it's February already? Tax season is in full swing with tax filings due **April 18th**

Did you know that many 2021 tax programs were expanded under the [American Rescue Plan](#) to benefit more families and individuals as compared to last year? With this in mind, we've compiled a listing of the current and key tax resources that families and child care providers may be eligible for, including details on how to get free tax preparation.

Child Care Resource & Referral agencies can help inform families and child care providers about tax breaks/credits to maximize tax refunds and reduce

or eliminate taxes owed. The tax benefits for this tax season can be especially significant for millions of people struggling due to the COVID-19 pandemic, including those who don't normally file taxes, because of limited or no income. By sharing this information across your agency, organization and with partners, you can support children by ensuring that their families and child care providers have the information they need to claim all the tax benefits available to them.

Tax Benefits for Families and Child Care Providers

Below, find a listing of key tax breaks and credits, along with a brief description, that families and/or child care providers may be able to take advantage of. They are listed in order of relevance to families and child care providers.

[Child Tax Credit \(CTC\):](#)

- What is it? A tax credit to help families raising children.
- Under the American Rescue Plan, millions of families received up to half of the credit as [advanced monthly payments](#) from July 15 - December 15, 2021, and are now eligible to receive the remaining half, with their 2021 tax return. Eligible families that did not receive the advanced payments last year, may be able to claim the full amount when they file their 2021 taxes.

- Families who received advanced payments were recently sent a [letter 6419](#) to help with filing their 2021 tax return, and for comparing the amount received to the amount they are eligible to claim. This letter must be saved as a tax record.
- Individual taxpayer identification numbers and social security numbers are accepted to claim the CTC, however the child being claimed will need a social security number to be eligible.
- Beyond the federal child tax credit, many states offer their own version of the CTC, [find out](#) if your state provides it.
- Families with dependents who don't qualify for the CTC (e.g. when child is older than 17, or when child has an individual taxpayer identification number, etc.) may be able to claim the credit for other dependents (below).

[Credit for Other Dependents \(ODC\):](#)

- What is it? A tax credit for qualifying dependent children who can't be claimed under the Child Tax Credit due to eligibility requirements (e.g. a child that is older than 17 or if the child does not have an individual taxpayer identification number, etc.).
- Determine eligibility [here](#).
- Individual taxpayer identification numbers and social security numbers are accepted to claim the credit for the parents/family members and the child being claimed.



[Earned Income Tax Credit \(EITC\):](#)

- What is it? A tax credit for low-to-moderate-income workers, with and without children.
- Determine eligibility [here](#).
- Families with three or more children can receive as much as \$6,728.
- Tax filer social security number required for eligibility.
- Beyond the federal EITC, many states, some localities and Washington, D.C., offer their own EITC, which may have broader access (e.g., individual tax identification numbers accepted in some areas) compared to the federal one. Find out if [your state](#) offers this credit.



[Child and Dependent Care Tax Credit \(CDCTC\):](#)

- What is it? A tax credit for working families (and in some cases those studying full-time) to help offset the cost of:
 - child care (e.g., child care center, family child care home, family, friend, neighbor care, before or after school care, summer or vacation day camps, co-pays, etc.); and
 - the cost of care for qualified adult dependents.
- Children under 13 years of age may be claimed.
- The [American Rescue Plan](#) generously expanded this credit, families can now claim up to \$8,000 in expenses for one child or up to \$16,000 for two or more children, compared to \$3,000 and \$6,000, respectively for the previous year.
- Beyond the federal CDCTC, many states offer their own version of the child and dependent care tax credit, [find out](#) if your state offers it.

[Recovery Rebate Credit \(Stimulus payments\)](#)

- What is it? A credit for those who did not receive the full amount of the third Economic Impact Payment.
- Filing a 2021 tax return is necessary to claim it.
- May reduce taxes owed or lead to a tax refund

Education Credit:

- What is it? An education credit helps with the cost of higher education for tax filer or their child dependent.
- May reduce the amount of taxes owed and could lead to a refund.
- Determine eligibility [here](#).

Free Tax Filing Assistance

Families and child care providers can find out if they are eligible for free tax preparation using the services listed below.

[Volunteer Income Tax Assistance \(VITA\):](#)

- Free tax preparation for those who qualify (persons with low-to-moderate income, persons with disabilities, the elderly, and persons with limited English proficiency).
- Find a provider [here](#) or call 888-227-7669.

[American Association of Retired Persons Foundation Tax-Aide:](#)

- Free in-person and virtual tax assistance to anyone, with a focus on taxpayers over 50 years of age and who have low-to-moderate income.
- Find a [provider](#) or call 888-227-7669.

[Get Your Refund](#)

- Online, mobile-friendly app connecting tax filers with tax preparation assistance
- Free service for families earning less than \$66,000 per year
- Chat support available
- Service offers filing back taxes as well (2017-2019)

[IRS Free File](#)

- Free guided tax preparation through an IRS partner site for families earning \$73,000 or less
- Tax preparation and filing software based
- Some state tax preparation and filing are free

Child Care Aware® of America develops Technical Assistance (TA) resources for Child Care Resource & Referral (CCR&R) agencies and other systems-level leaders. If you need additional help, we invite you to request personalized support from our Technical Assistance team by [filling out this form](#).