



Increase Your Tax Refund

Take Advantage of Refundable and Non-Refundable Tax Credits

Do you fall under the category of low or moderate income? Then, you can benefit from the "tax credits" offered by the Federal and State Governments. You can also save a significant sum of money and get great benefits as an individual, family, or organization. Because by leveraging tax credits in the USA, you can get refunds when filing your taxes. You can also get [tax preparation Fontana](#) services for the same.

To make things easier, we've compiled this comprehensive guide to tax credits for individuals in the USA.

What are Tax Credits for Individuals?

A tax credit is the amount of money that taxpayers can subtract from the tax they owe. As a result, it decreases your tax amount and may also increase your tax refund. To learn more, let's discuss the different types of tax credits you may be eligible for.

Types of Tax Credits for Individuals

Here are six types of credits you must know and other necessary information:

Family and Dependent Credits

Family and dependent credits are meant for child care and families having dependent spouses or adults. These are:

1. Child Tax Credit

The Child Tax Credit helps families with children to file low taxes. You can claim the credit even if you don't usually file a tax return. Also, the dependent must have a Social Security number and be eligible for employment in the United States.

Child tax credit could get you up to \$2,000 per child. To claim child credit, you must enter your child and other dependents on Form 1040, U.S. Individual Income Tax Return, and add a finished Schedule 8812.

Eligibility for the child tax credit for dependents:

- The age must be less than 18 at the end of the year.
- The dependent can be a son, daughter, stepchild, qualified foster child, brother, sister, stepbrother, stepsister, half-brother, half-sister, or descendants (for example, a grandchild, niece, or nephew)
- Lives with you for more than half a year
- Stated as dependent in tax return
- Not file a joint return with their spouse for the tax year **or** file it only to claim a reimbursement of withheld income tax or estimated tax paid.
- They must be a U.S. citizen, U.S. nationals, or U.S. residents alien.

Eligibility for the child tax credit for taxpayers:

Your annual income should not be more than:

- \$150,000 if you are married and opting for a joint return or qualifying widow or widower;
- \$112,500 if you're the household head; or
- \$75,000 if you're a single filer or filing a different return from the partner.

Important Note: Parents with a little higher income can go for partial credit, which is called a partially refundable tax credit

2. Dependent Care Credit

Dependent care credit helps families who pay expenses for the child care required to work or to look for work. It is also available for dependent spouses or family members. You can get up to 35% of \$3,000 of expenses for one dependent, or get \$6,000 for 2 or more dependents.

Important Note: From 2021, the dependent care credit is completely refundable for tax. This means the credit can deliver funds back even if you don't owe taxes.

Some of the qualifying terms are:

- The total expense for one qualifying individual must not be more than \$8,000
- The child must be under 13 when the care was provided
- Your spouse or family member who was physically or mentally incompetent in self-care and lived with you for more than half of the year
- Individuals can be children of divorced or separated parents or parents not living in one home.

If you're eligible for the credit, fill out Form 2441, Child and Dependent Care Expenses, and add it to Form 1040, U.S. Individual Income Tax Return, Form 1040-SR, U.S. Tax Return for Seniors or Form 1040-NR, U.S. Nonresident Alien Income Tax Return.

Note: If your employer has provided this benefit (an amount is displayed on your Form W-2, Wage, and Tax Statement), you must complete Part III of Form 2441.

3. Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is for low or moderate-income individuals and families to get tax benefits. It works by decreasing the money you owe as a tax return.

For example, suppose your EITC amount is more than what you owe in taxes; you may obtain reimbursement even if you do not owe income tax. Simply, the eligibility for falling EITC is that you must have a low or moderate income. To understand this better, you can get [tax services San Bernardino](#).

You can get an amount between \$560 and \$6,935. It entirely depends on number of kids you have, your income and marital status.

4. Adoption Credit

Individuals seeking the adoption of children under 18 can claim this adoption credit.

Adopting parents can opt for adoption credits toward their federal tax liability. It further decreases what the family owes in federal income tax.

Moreover, it's used for qualified adoption expenses paid to adopt an eligible child. It covers up to \$14,890 of adoption costs per child.

The eligible adoption expenses it covers are:

- adoption fees
- Legal expenditures
- Traveling costs (including stay and meals)
- Other expenses related to the process

Note: It may cover other expenses initiated before the child has been identified. For example, some parents pay for a home study as an adoption effort.

To opt for the adoption credit or exclusion, fill the Form 8839, Qualified Adoption Expenses, and add to Form 1040, U.S. Individual Income Tax Return, Form 1040-SR, U.S. Tax Return for Seniors or Form 1040-NR, U.S. Nonresident Alien Income Tax Return.

Income and Saving Credits

Several credits fall under income and saving credits; keep reading to learn all the details.

1. Retirement Savings Contributions Credit

Retirement Savings Contributions Credit is for anyone above 18 and planning retirement. You may have a retirement plan or an individual retirement arrangement (IRA) or have an Achieving a Better Life Experience (ABLE) account as a beneficiary.

In such circumstances, you're eligible for the Retirement Savings Contributions Credit. The amount you get depends on the level of your contributions. The credit helps offset the first \$2,000 employees contribute to Individual Retirement Arrangements, 401(k) plans and any other workplace retirement plan.

2. Foreign tax credit

The foreign tax credit decreases the tax liability if you earn income abroad and have paid foreign income taxes. For example, if you pay taxes on a foreign country or U.S. possession and file U.S. tax on the same income, you will file double tax.

The foreign tax credit is used to solve this issue and repetitive filing. Remember to claim tax by filling out 1116 and Foreign Tax Credit forms if you fall under this category. Generally, you can get up \$120,000 as the exclusion of your income in 2023.

Homeowner Credits

As a homeowner, filing the right tax and getting credits is crucial. For this, the Government has specified some requirements, exclusions, etc. Some of the important things you must analyze are:

- **IRS 530, Tax Information for Homeowners:** IRS Publication 530 is a document with costs that can and can't be considered tax deductions. It has mortgage interest credit rules, calculations, and recommendations for homeowners.
- **Residential Energy Credits:** The Government provides an incentive to opt for renewable energy sources at home. For example, solar water heaters and wind turbines.

- **First-Time Homebuyer credit:** It's a credit for first-time home buyers who must abide by the eligibility. The Government will provide federal and state grants, tax credits, and other options to make the first home dream come true.

First-time homebuyers of a principal residence can get equal to 10% of the buying price of the tax residence in that tax year. Please note that this tax credit cannot be more than \$15,000.

Electric Vehicle Credit

The Electric Vehicle Credit is for owners and manufacturers of plug-in electric drive motor vehicles, which include passenger vehicles, light trucks, two-wheeled vehicles, etc. Owners of these vehicles can file Form 8936 with their income taxes to claim the tax credit. You get between \$2,500 and \$7500. In 2023, the credit has expanded significantly and includes used vehicles as well.

Eligibility for the Electric Vehicle Credit:

- The electric vehicle's final assembly must have occurred in North America
- The purchase of the new car must be after August 16, 2022

Health Care Credits

Health care credits consist of The Premium Tax Credit (PTC), a refundable credit. It is helpful for individuals and families that cover coverage for health insurance bought through the Health Insurance Marketplace. You must fill out Form 8962 with your tax return to get this credit.

Eligibility details:

- Having household income in a certain range
- You're not a dependent
- You or a tax family member enrolled in health insurance coverage.

Education Credits

Education Credits like the American Opportunity Tax Credit and the Lifetime Learning Credit help individuals with the expenditure of higher education by reducing the amount of tax owed on their tax return. You may also have a credit that reduces the tax to zero and receive a refund.

To claim the AOTC or LLC, use Form 8863, Education Credits. It gets you 20% of the first \$10,000 paid as tuition and fees, for maximum \$2,000. To know more, get [CPA services for small business](#).

Some of the conditions you may fulfill are:

- You, the dependent, or any third party pays your educational expenses
- Students must be enrolled in an institution
- The student can be you, your spouse, or dependent

Tax credits are indeed very profitable in the tax world. Qualifying for one surely feels like a huge money saver. Hopefully, you find this guide helpful when working with tax credits for individuals.

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