

Personal Finance: Parents taking due credits save

By Gail MarksJarvis

Chicago Tribune

Consumers seek coupons for \$25 deals on everything from massages to restaurants, but what about tax deals?

Parents who pay attention to their tax return can often recover thousands of dollars for everything from raising children to sending them to day care or college. Yet taxpayers leave billions of unclaimed credits on the table, according to federal figures.

Maybe it's a lack of knowledge. Maybe it's intimidation from the rules and regulations that come in tax forms and publications. But tax software such as TurboTax or TaxAct, which are free on the IRS site (freefile.irs.gov) for people with an adjusted gross income of \$58,000 or less and available in stores for others, help you hunt for the credits that fit your situation and do the number crunching for you.

Whether you do taxes on paper or online, watch for these potential deals. And take advantage of them because many could be reduced in a couple of years as short-term tax laws expire. Here are ways to save money:

Child tax credit. Parents can cut their tax bill by as much as \$1,000 a child, up to a total of \$3,000. Children must be under 17, and there are income requirements. The credit starts to phase out when married couples' incomes top \$110,000 and single parents' exceed \$75,000. But parents still might qualify for some limited credit with incomes up to \$130,000 for couples and \$95,000 if single, said William Massey, a tax analyst with Thomson Reuters. Typically, this credit reduces your regular taxes, but for some low-income families it is possible to get money back from the government even if their income is too low to pay taxes.

Use Publication 972 and Form 8812 to qualify for a refund that exceeds what you owe in taxes.

Earned income tax credit. This credit is intended to help people who work but earn little. The amount of the credit is influenced by the number of children you have. For example, a couple with three children could have an income up to \$48,362 and qualify, but a single person with no children would have to have an income under \$13,460. The maximum credit with three children is \$5,666, but if you are childless, it's \$457. To find out if you are eligible, use the table in IRS Publication 596.

Sending kids to college.

The American Opportunity Tax Credit can take some of the sting out of paying college tuition and fees. You can get a credit of up to \$2,500 per student per year for each of four years for college. For the full benefit, income for a couple must be no more than \$160,000; for singles, \$80,000. Some credit is available for couples with income up to \$180,000, or \$90,000 for singles. The rules are covered in Publication 970.

Keep in mind that recent tax changes allow you to use the credit for each year of a four-year education up to the end of the 2010 tax year. Previously, the Hope Credit for college applied only to the first two years.

Massey notes that parents may be able to claim the credit if a grandparent pays a student's college costs directly to the college. In addition, a student - or parents - who borrowed with student loans can deduct interest payments made on the loans.

Adopted child.

Recent changes have enhanced credits available to parents who adopt children, said Mark Luscombe, a tax analyst for CCH. Parents can get a credit for up to \$13,170 for expenses, such as legal fees, from adopting a child. In some cases, travel costs may also be covered if the adoption was done away from home. Parents adopting special-needs children may be able to get the full \$13,170 credit even if they did not spend that much. Use Form 8839.

Child-care expenses.

If you pay someone to care for a child under age 13 while you work, you can get a credit for up to 35 percent of the costs up to \$3,000 per child or \$6,000 for two children. This can cover care in your home and day camps but not overnight camps.