

## Tool 4:

# Increasing your income through tax credits

Tax credits can make a big difference. They may give you a refund that can be saved for emergencies or unexpected expenses, set aside for annual expenses (back to school or holiday shopping), used to pay down debts, and more. The Earned Income Tax Credit (EITC) is a benefit for working people who have low- to moderate-income. Your tax refund is based on your income and filing status.

For the 2013 tax year the following income limits and maximum tax credits apply:

Household size	Income limit if filing as single or married filing separately	Income limit if married filing jointly	Maximum tax credit
Three or more qualifying children	\$46,227	\$51,567	\$6,044
Two qualifying children	\$43,038	\$48,378	\$5,372
One qualifying child	\$37,870	\$43,210	\$3,250
No qualifying children	\$14,340	\$19,680	\$487

Also, **investment income** must be \$3,300 or less for the year.

Your kids are “qualifying children” if:

- They have lived with you in the U.S. with you (or your spouse if married filing jointly) for more than half of the year;
- Are under age 19 or under age 24 if they are a full-time student or are “permanently and totally disabled;” and
- Are related to you: your son, daughter, stepchild, eligible foster child, brother (including step or half), sister (including step or half) or are a descendant of any of these.

If you do not have any qualifying children, you may still be entitled to the credit if you are between ages 25 and 65, live in the U.S. for half of the year, and do not qualify as a dependent for anyone else.

There is also a Child Tax Credit, which reduces the taxes you owe. If the amount of your Child Tax Credit is greater than the amount of income tax you owe, you may be able to claim the Additional Child Tax Credit. The Child Tax Credit phases out if your adjusted gross income exceeds the following:

- \$110,000 if married filing jointly
- \$75,000 if single, head of household, or qualifying widower
- \$55,000 if married filing separately

**This information changes every year.** To make sure you have the most current information, visit: <http://www.irs.gov/Individuals/EITC-Income-Limits,-Maximum-Credit--Amounts-and-Tax-Law-Updates>.

More information on the Child Tax Credit is available here: <http://www.irs.gov/uac/Ten-Facts-about-the-Child-Tax-Credit>.

Be sure to visit a Volunteer Income Tax Assistance (VITA) Program to file your taxes and make a plan to use your tax refund. The volunteers are trained by the IRS, and getting your taxes done doesn't cost you anything. This preserves your income. This can make a big difference in your ability to start and fund your savings and in your life. Find one at <http://irs.treasury.gov/freetaxprep> or call (800) 906-9887.

## **Resources**

For additional resources, visit the Consumer Financial Protection Bureau website:

<http://www.consumerfinance.gov/AskCFPB>

If you have a consumer complaint, visit:

<http://www.consumerfinance.gov/complaint>

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