

# Raising Grandchildren May Impact Your Federal Taxes

**GRANDFAMILIES — Are you receiving all the tax benefits you deserve?**

**Selecting the correct filing status and tax credits will give you the lowest tax. Some credits are refundable and may create a refund even if you paid little or no federal income taxes. You may be eligible for some of these tax benefits if you are responsible for raising a grandchild or other qualifying child.**

Brief summaries of these benefits are shown below:

**Head of Household Filing Status** – If you are considered unmarried and have a qualifying child, you may be eligible to use Head of Household as your filing status. This is generally more favorable than a Single filing status.

**Exemption for the Child** – If you are a grandparent or other relative who has a child living with you, specific rules may allow you to claim that child as a dependent. If you can claim a dependent, you may be eligible for other federal tax credits.

**Earned Income Credit (EIC)** – If you are working and have a qualifying child living with you, the EIC may be available to you even if you are 65 years of age or older. If you qualify, the EIC creates a refund even if you paid little or no federal income taxes.

**Child Tax Credit (CTC)** – If you are raising a grandchild or other qualifying child under age 17, you may be able to take the CTC and, under specific circumstances, the Additional CTC. The Additional CTC may give you a refund even if you do not owe any federal income taxes.

**Credit for Child & Dependent Care Expenses** – This credit may be available if you pay someone to care for a dependent under age 13 or for your spouse or a dependent who is physically or mentally not able to care for themselves while you work or look for work. This is a credit up to 35% of your unreimbursed, out-of-pocket expenses.

**Qualified Education Expense** – There are several federal tax credits or deductions available if you save for or pay education costs for yourself, your spouse, or a student that you claim as a dependent on your federal tax return. Education benefits include, but are not limited to the Education Credits (American Opportunity, Hope and Lifetime Learning Credits), Student Loan Interest Deduction, and Coverdell Education Savings Account.

**Medical and Dental Expenses** – If you itemize deductions, you may be able to include medical and dental expenses you pay for yourself, your spouse, or your dependent.



**Internal Revenue Service**

## For your awareness...

**Foster Care Payments** – Generally, payments you receive from the state or other eligible entity for providing care in your home to a foster child, perhaps your grandchild, are considered support for that child. These payments are not included in your income for federal tax purposes. However, if you receive payments to maintain space in your home for emergency foster care, you must include these payments as income for federal tax purposes.

**Foster Grandparent Program** – This program is one of several National Service Corps programs. Income for supportive services or reimbursement for out-of-pocket expenses should not be included in your income for federal tax purposes.

## Additional Information and Resources

For additional information on each of these federal tax topics visit our website at [www.irs.gov](http://www.irs.gov), or call toll-free at 1-800-829-1040.

For a free paper copy of any the following publications and forms, please call 1-800-829-3676 (1-800-TAXFORM).

- Publication 501, Exemptions, Standard Deduction, and Filing Information
- Publication 502, Medical and Dental Expenses (including the Health Coverage Tax Credit)
- Publication 504, Child and Dependent Care Expenses
- Publication 596, Earned Income Credit (EIC)
- Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans
- Publication 970, Tax Benefits for Education
- Publication 972, Child Tax Credit
- Form W-5, Earned Income Credit Advance Payment Certificate
- Form W-10, Dependent Care Provider's Identification and Certification
- Form 2120, Multiple Support Declaration
- Form 2441, Child and Dependent Care Expenses
- Form 8812, Additional Child Tax Credit
- Form 8862, Information To Claim Earned Income Credit After Disallowance
- Form 8863, Education Credits (American Opportunity, Hope, and Lifetime Learning Credits)
- Schedule A (Form 1040) Itemized Deductions
- Schedule EIC, Earned Income Credit (Qualifying Child Information)
- Schedule 2 (Form 1040A) Child and Dependent Care Expenses for Form 1040A Filers