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News Release

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FOR IMMEDIATE RELEASE

THE NEW CHILD TAX CREDIT — IT'S NOT A 'GIVEN'

KANSAS CITY, Mo. (March 5, 1999) — In H&R Block's third annual **Kids' Take On Taxes** survey testing the tax savvy of children 8 to 11, the kids' benevolence — or perhaps their parental respect — was put to the test.

"This year your parents could get $400 back from the government for each child they have. Should your parents keep the money, or give it to you?"

A dilemma. Given the choice between their parents and themselves, a majority of the kids surveyed would have their parents receive the IRS' $400 tax credit for children.

Surely the parents would be pleased at their children's charity. But to get the Child Tax Credit in the first place, parents (or grandparents claiming qualified child dependents on their tax returns) may not realize that the credit isn't a "given."

Making sure people know the credit isn't automatic has been a concern of tax professionals since the law was passed a couple of years ago. The Child Tax Credit first came about as part of the Taxpayer Relief Act of 1997, but it didn't take effect until Jan. 1, 1998. Now that the Child Tax Credit is here, tax professionals, such as H&R Block's Kathy Burlison want people to understand the rules that go with it.

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"The Child Tax Credit can be reduced, or even eliminated altogether, if the total tax is less than the credit amount," explains Burlison, an enrolled agent and tax research and training specialist for Block's world headquarters. "And the maximum amount you receive also may be reduced by other credits you've claimed, such as child *care* credit, education credits, adoption credit, credit for the elderly or disabled, and earned income credit."

Another reason you might not get the Child Tax Credit is because you earn too much income. The available credit is reduced by $50 per $1,000, or part thereof, over the income limits. The limits are $111,000 on a married filing joint return, $75,000 on a single or head of household return, and $55,000 on a married filing separate return.

But if you *do* qualify, it's worth up to $400 per child on this year's tax return ($500 in 1999 and after). To be eligible, you must have a dependent child or grandchild who you claim on your tax return. That child must be a U.S. resident and age 17 or younger at the end of the tax year.

There's no limit to the number of children you can claim, and the credit is in addition to the child care credit and the usual exemption amount for children.

"I've told people that with all the new tax law changes, this may be the year they want to get help from a tax professional," Burlison says. "No one wants to miss any tax benefits to which they're entitled. The Child Tax Credit, with its many qualifiers, is a perfect example of a credit that you want to get if you are eligible. Working with someone who is familiar with the recent tax law changes can help you."

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