

2021 Tax Credits May Offer Big Savings

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Do You Qualify for the Earned Income Tax Credit or Other Credits?

With tax-preparation season underway, it's important to determine whether you qualify for the Earned Income Tax Credit (EITC), and to claim it on your tax return if you're eligible based on your earned income and the size of your family. Nationwide during 2021, the Internal Revenue Service (IRS) reports that 25 million eligible workers and families in the U.S. received about \$60 billion from this tax credit, with recipients receiving an average of \$2,411. (www.eitc.irs.gov)

However, it's possible to get a much larger credit depending on your income, filing status, and number of qualifying children. For the 2021 tax year, the IRS website indicates that the credit will range from up to \$1,502 for eligible claimants without qualifying children to up to \$6,728 for claimants with three or more qualifying children. The amount varies on whether you're filing as an individual or as a married couple filing jointly. ([EITC Tables](#))

Children May Increase Your Tax Credit

The IRS defines qualifying children as children who were under 19, or under 24 if fulltime students, at the end of 2021, who lived with you for a minimum of six months and one day during the calendar year. Permanently disabled children may be any age, including adult ages, if they reside with you for more than six months of the calendar year. Each child must have a social security number. Other dependents such as relatives, and step- or foster-children who live with you may count. ([Qualifying Child Rules](#))

To qualify for the EITC for the 2021 tax year, your maximum adjusted gross income (AGI) may range from \$21,430 for single or head of household filers to \$57,414 for married couples filing jointly, and income from your investments may not exceed \$10,000. ([EITC Tables](#))

It's important not to lose out, according to the IRS, because about 20 percent of people who could claim the credit fail to do so each year. ([EITC Fast Facts](#)) As a result, they could be paying thousands of dollars more in taxes than required! Please keep in mind, though, that Social Security Disability payments, Supplemental Security Income, and Military Disability Pension Income do not count as earned income.

The amount of money you may be entitled to if you claim the Earned Income Tax Credit is hardly small change: 1.6 million New Yorkers received the EITC in 2020 for a total of \$3.7 billion, the IRS reports, and the average amount of the tax credit was \$2,330. ([Statistics for Tax Returns with EITC.](#))

About one-third of the EITC-eligible population turns over each year, reports the IRS, so check your eligibility today at www.irs.gov/eitc.

Child and Dependent Care Credit

There's also a Child and Dependent Care Credit that's substantially more generous for 2021 – up to \$4,000 for one qualifying person and up to \$8,000 for two or more qualifying persons, and you may receive this credit even if you owe no federal income tax. You may be eligible to claim the credit if you paid expenses for the care of a qualifying individual so that you could work or actively look for work.

Recovery Rebate Credit

There's an opportunity to claim any missing payments from the third round of Economic Impact Payments that the government issued from March 2021 through December 2021. If you're missing any of these stimulus funds, you may check your eligibility on the IRS website's Recovery Rebate Credit page to find out how to claim them on your 2021 tax return.

Claim & Reconcile Child Tax Credits if Eligible

The IRS requires that your tax return reconciles all Advance Child Tax Credit payments you may have received monthly during the last half of 2021 with the total amount of annual Child Tax Credit for which you're eligible. The other half of the 2021 Child Tax Credit that's due to you will either reduce your taxes or be paid to you as a tax refund. The Child Tax

Credit isn't taxable income and will not affect your eligibility for government benefits. You may check your eligibility for this credit on the IRS website's Child Tax Credit Update Portal.

You May Qualify for IRS Free File

You may have the option of filing your federal income taxes for free electronically through IRS Free File if your Adjusted Gross Income (AGI) is \$73,000 or less. This option offers guided preparation in English or Spanish that does all the math for you and files your taxes on an IRS partner site.

If your Adjusted Gross Income (AGI) exceeds \$73,000, the IRS offers Free File Fillable Forms that are electronic federal-tax forms equivalent to a paper 1040 form that you may fill out online for free. The IRS advises that you know how to prepare you own tax return if you choose this option. For details, please go to www.irs.gov/filing/free-file-do-your-federal-taxes-for-free.

Submit Electronic Returns to Reduce Delays

Tax season (*as per IRS.gov*) began on January 24, 2022, the date when the IRS started accepting and processing 2021 tax returns. The deadline to file 2021 taxes is April 18, 2022. The IRS recommends that tax filers submit their 2021 returns electronically as it anticipates huge delays in processing paper returns and issuing refunds.