

Tax Credit Sampler





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A tax credit reduces the amount of income tax you may have to pay. Unlike a deduction, which reduces the amount of income subject to tax, a credit directly reduces the tax itself.

Most tax credits are nonrefundable: If the credit amount exceeds the tax owed, no refund is given. Refundable credits are different: If the credit amount exceeds the tax owed, a refund may be due to the taxpayer.

While not a comprehensive list, the following personal tax credits are of general interest to individuals (for businesses, see General Business Tax Credits):

| Credit | Description | Form to use with 1040 |
|---|---|-----------------------|
| Personal Credits -- Nonrefundable | | |
| Adoption tax credit | You may be able to take a tax credit of up to \$13,460 in 2016 (\$13,400 in 2015) for qualifying expenses paid to adopt an eligible child. The credit is not available for any reimbursed expense. In addition to the credit, up to \$13,460 in 2016 (\$13,400 in 2015) paid or reimbursed by your employer for qualifying adoption expenses may be excludable from your gross income. The credit and exclusion for qualifying adoption expenses are each subject to an income limit. | Form 8839 |
| Child and dependent care credit | If you paid someone to care for a qualifying individual so you (and your spouse if you are married) could work or look for work, you may be able to claim this credit. The credit is a percentage, based on your adjusted gross income, of the amount of work-related child and dependent care expenses you paid to a care provider. You may use up to \$3,000 of the expenses paid in a year for one qualifying individual, or \$6,000 for two or more qualifying individuals. These dollar limits must be reduced by the amount of any dependent care benefits provided by your employer that you exclude from your income. | Form 2441 |
| Credit for the elderly or the disabled | You may be able to take the credit for the elderly or the disabled if: <ul style="list-style-type: none"> • You're age 65 or older and meet certain income requirements, or • You're under age 65, retired on permanent total disability, and received taxable disability income during the year | Schedule R |
| Foreign tax credit | This credit is intended to reduce the double tax burden that would otherwise arise when foreign-source income is taxed by both the United States and the foreign country from which the income is derived. Generally, only income taxes paid or accrued to a foreign country or a U.S. possession, or taxes paid or accrued to a foreign country or U.S. possession in lieu of an income tax, will qualify for the foreign tax credit. Qualified foreign taxes do not include taxes that are refundable to you or taxes paid to countries whose government is not recognized by the United States. You can choose to take the amount of any qualified foreign taxes paid or accrued during the year as a foreign tax credit or as an itemized deduction on Schedule A of Form 1040. | Form 1116 |
| Credit for contributions to retirement plans and IRAs ("saver's" credit) | If you make eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement (IRA), you may be able to take a tax credit. The amount of the saver's credit you can get is based on the contributions you make, your credit rate, and your adjusted gross income (AGI). If you qualify for the credit, your credit rate can be as low as 10% or as high as 50%, depending on your AGI and filing status. The maximum contribution taken into account for purposes of the credit is \$2,000 per taxpayer. | Form 8880 |



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| Lifetime learning credit | You may be able to claim this credit of up to \$2,000 for qualified tuition and related expenses paid for all students enrolled in eligible educational institutions. There is no limit on the number of years for which this credit can be claimed for each student. The student does not need to be pursuing a degree or other recognized educational credentials. The credit is available for one or more courses. | Form 8863 |
| Non-business energy property credit | For 2016, a 10 percent credit may be available if you make qualifying energy efficient improvements to--or install certain energy efficient property in--your home. For 2016, there's a lifetime cap of \$500, and specific limits apply for certain types of property. Unless extended by Congress, the credit is not available for 2017. | Form 5695 |
| Residential energy efficient property credit | You may be eligible for a 30 percent tax credit for the purchase of qualified solar electric property and qualified solar water heating property (used exclusively for purposes other than heating swimming pools and hot tubs), as well as qualified geothermal heat pumps, qualified small wind energy property, and qualified fuel cell power plants. Special limits apply to qualified fuel cell power plants. | Form 5695 |
| Alternative motor vehicle credit | The maximum credit for a fuel cell passenger car or light truck is \$12,000, and is available through 2016. | Form 8910 |
| Credit for plug-in electric vehicles | If you purchase a qualifying plug-in electric drive motor vehicle, you may qualify for a credit of up to \$2,500, with an additional credit amount of \$417 for each kilowatt hour of capacity in excess of five kilowatt hours. Total credit available may not exceed \$7,500. The credit phases out for a manufacturer's vehicles once 200,000 vehicles have been sold. | Form 8834 |
| Personal Credits -- Refundable | | |
| Earned income credit | This is a special credit for certain lower-income people who work. The amount of the credit is based on your adjusted gross income (AGI), your filing status, and the number of qualifying children you have (if any). | If you have at least one qualifying child, attach Schedule EIC |
| Child tax credit | This is a credit of \$1,000 for each qualifying child you claim on your return. The credit may be used to reduce the full amount of your regular tax and alternative minimum tax liability. (A portion of the child tax credit may be refundable.) The credit is limited if your modified adjusted gross income is above a certain amount. | Worksheet in Form 1040 instructions Refundable portion of credit: Form 8812 |
| Hope credit (renamed the "American Opportunity" tax credit) | You may be able to claim this credit of up to \$2,500 for qualified tuition and related expenses paid for each eligible student. This credit is available for the first four years of post-secondary education. An eligible student must be enrolled at least half-time for at least one academic period during the year, and have no felony drug conviction on his or her record. The credit is subject to an income limitation. Up to 40 percent of the credit is refundable. | Form 8863 |

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To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

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