

Tennessee Society of CPAs

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Got Kids? Don't Miss these Tax Breaks

How much does it cost to raise a child? You may already be aware that it's a lot, especially as you spend money each day on things such as day care, extracurricular activities and new clothes for growing kids. But you may be surprised to learn that the average middle-income couple will spend just over \$245,000 to raise a child born in 2013 to age 18, according to the U.S. Department of Agriculture. You may be more surprised, though, to hear that there are valuable tax breaks that can help minimize some of your costs. The Tennessee Society of CPAs provides tips on tax benefits that families can't afford to miss.

Remember the Basics

For the 2015 tax year, you can claim an exemption of \$4,000 for each qualifying child. The exemption generally applies, with some exceptions, for children under age 19 at the end of the year and for those under age 24 at the end of the year who were full-time students during some part of each of any 5 calendar months of the year. The exemption is also available for permanently and totally disabled children of any age. It may also be possible to receive for a child tax credit of up to \$1,000 per child, if you meet qualification requirements. However, the credit is reduced if your modified adjusted gross income is above \$110,000 for married couples filing jointly (\$75,000 for single filers). Changing your filing status can be another way to lower your taxes when you have children. You may qualify for additional tax benefits if you can claim head-of-household rather than single status. Your CPA can help you determine whether you're eligible to change your status.

Benefits for Fertility Treatment

Fertility treatments are a medical expense. Therefore, it is possible to deduct them as you would any other medical expense. Keep in mind that you can generally only deduct the portion of your total medical expenses that are more than 10 percent of your adjusted gross income. You should also find out whether fertility treatments are covered by your health insurance plan. If they are not or if the plan covers some but not all of your costs, you can consider using money you have set aside in a medical expense flexible spending account (FSA). Your contributions to an FSA are tax free, which lowers your net costs.

Tax Breaks for Adoptions

If you adopt a child, there is an adoption tax credit worth up to \$13,400. To qualify, you must have adopted a child who is under 18 or is physically or mentally unable to care for him- or herself. The child also cannot be a stepchild. You will qualify for the credit if your family's modified adjusted gross income is below \$241,010, although you will only receive the full credit if it is under \$201,010.

Tax Advantages for Education Costs

We mentioned that it takes nearly a quarter of a million dollars to raise a child. The bad news is that doesn't include college tuition costs. The good news is that, once again, tax breaks can help lower how much you'll pay for your child's education. For example, through the American Opportunity Tax Credit you may be able to claim a credit of up to \$2,500 for qualified education expenses such as tuition, fees and course materials that you've paid for each eligible student during their first four years of their postsecondary education. With the Lifetime Learning Credit, you could qualify for a credit of up to \$2,000 for qualified education expenses related to postsecondary degree programs or courses taken to acquire or improve job skills. There are income limits and other necessary qualifications for each credit, so contact your CPA for more details.

Turn to Your Local CPA

There are many ways to stretch your dollars when you're raising a family, so you'll want to be sure to take advantage of each one that's available to you. Your local CPA can help. He or she can provide advice that you can use to make the most of your family's budget.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit www.tscpa.com. TSCPA is headquartered in Brentwood, Tenn.