

government), will lower to \$4,000. Some credits are refundable, which means you get money back even when the credit is more than the tax you owe, while others are nonrefundable and only refund your money up to the amount of taxes you owe.

**Earned Income Tax Credit (EITC):** Refundable credit that can lower your tax bill. If you have a lower-income, you may qualify for this credit, which can often result in a refund. To claim this credit, you need to file a federal income tax return and meet specific criteria.

To qualify for EITC, you must:

1. Show proof of earned income
2. Have investment income below \$3650 for the tax year you are filing for
3. Have a valid Social Security number
4. File as married filing jointly, head of household, qualifying widow(er), or single
5. Be a U.S. citizen or a foreign national living in the U.S. for at least 6 months of the year you're filing for with a valid Social Security number

Note: Military members, Clergy members, and taxpayers with disabilities and/or relatives with disabilities have special qualifications for EITC.<sup>125</sup>

**Dependent:** A child, relative, or other individual who a taxpayer can claim on their federal income tax return to receive an exemption. The IRS defines a dependent as either a qualifying child (under age 19 or under 24 if a full-time student) or qualifying relative (sibling, parent) who makes less than \$4,300 a year. A dependent may have a job, but you must provide more than half of their annual support in order to claim them as a dependent.<sup>126</sup>

**Child Tax Credit:** By claiming a child under 17 as a dependent on your tax return, you are eligible for child tax credit, which can reduce the amount of taxes you owe by \$1000. In 2021, the maximum child tax credit was raised to \$3,600 for qualifying children age 6 and under and \$3,000 for qualifying children 6-17.<sup>127</sup>

**Tax-Exempt:** Income or transactions that are free from federal, state, or local taxes. Many organizations are tax-exempt, such as charities, universities, and nonprofits. Tax exemptions for individuals were the ability to exclude a certain amount of income from taxation. Before 2018,

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<sup>125</sup> "Who Qualifies for the Earned Income Tax Credit (EITC)?" IRS, Sept. 13, 2021. <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/who-qualifies-for-the-earned-income-tax-credit-eitc>

<sup>126</sup> "Rules for Claiming a Dependent on Your Tax Return." TurboTax, March 29, 2022. <https://turbotax.intuit.com/tax-tips/family/rules-for-claiming-a-dependent-on-your-tax-return/L8LODbx94>

<sup>127</sup> "Child Tax Credit." Benefits.gov <https://www.benefits.gov/benefit/938>