Preparing Your Income Tax—Know Your Tax Benefits

As primary caregiver of your child with special needs, you may be entitled to certain tax benefits, such as tax credits and tax deductions. These tax benefits help offset a portion of expenses incurred while caring for your child. At certain income levels, you may be eligible for other tax benefits as well. To determine eligibility for tax benefits, learn how to apply them, and make the most of the tax benefits you’re entitled to, you may want to seek the advice of a tax professional.

Next Section: Tax Credits

Finding Financial and Tax Advice

Ideally you want to work with a professional knowledgeable about disability-specific financial and tax issues. Here are a few ways to go about finding a professional knowledgeable about what tax credits and tax deductions you might be eligible for.

- The IRS provides toll-free numbers tax filers can call to ask income-tax related questions. To contact the IRS:
  - Call 1-800-829-1040
  - Visit www.irs.gov and search on the name of the tax credit or tax deduction

- Some financial and tax organizations in your area may offer professional services to people with limited resources. These organizations may also offer informative publications or workshops on disability-specific financial and tax issues. For more information, contact the following organizations to find professional financial and tax services in your area:

  - American Institute of CPAs—Personal Financial Planning Section: an organization for CPAs who provide estate, tax, retirement, risk management and investment planning advice to individuals.
    - Call 1-888-777-7077
    - Visit www.aicpa.org

  - Financial Planning Association (FPA): the largest organization of financial planners who provide financial
This publication is intended to provide general financial information; it is not intended to substitute for, or supersede, professional or legal advice. The specific needs of every disability or life circumstance have not been covered in this publication. The best course of action must be based on individual circumstances. Note: The content areas in this material are believed to be current as of this publication’s writing, but, over time, legislative and regulatory changes, as well as new developments, may date this material.
© 2010 National Endowment for Financial Education. All rights reserved.
Tax Credits

A tax credit lowers the dollar amount of income tax you owe (your tax liability). For example, if you owed $1,000 in taxes but qualified for $200 in tax credits, you would owe the federal government $800. Below is a list of some tax credits you might qualify for based on your income, dependents, or medical or education expenses. Each tax credit has its own qualifying terms. Speak with a tax professional for other tax credits you might be eligible to take.

**Child and Dependent Care Credit.** If you and your spouse (if applicable) have had to hire professional child or dependent care (including home care help you pay for directly) so you could work or look for work, you might qualify for this credit. If you do, you could receive a tax credit for up to 35 percent of your child care expenses.

**Child Tax Credit.** A child who meets six criteria—age, relationship, support, being claimed as a dependent, citizenship, and place of residence—may be counted for this credit. The maximum credit amount allowed is $1,000. The Child Tax Credit’s purpose is to lower the federal income tax liability for families raising children.

**Earned Income Tax Credit (EITC).** This credit offsets social security taxes paid through employment wages. Resulting in a tax refund for working families who qualify for the credit, the EITC was enacted (became law) to encourage low-income families to work. One in four (25 percent) eligible taxpayers do not claim their tax credit (See IRS.gov. “IRS Marks EITC Awareness Day; Highlights Expanded Tax Credit.” IR-2010-14, Jan. 29, 2010. Retrieved from http://www.irs.gov/newsroom/article/0,,id=218828,00.html on October 29, 2010). A couple reasons for this are that some people don’t know about the tax credit at all, or they don’t expect a refund. Even if you owe income tax but are eligible to receive the EITC, if the amount of the tax credit is greater than the amount of income tax you owe, the IRS will send you the difference. For more information about the EITC and how to qualify, contact the IRS:

**Call** 1-800-829-1040 (Voice) or 1-800-829-4059 (TDD)
**Visit** www.irs.gov and search on “EITC”

Next Section: Tax Deductions
Tax Deductions

A tax deduction lowers the dollar amount of taxable income. For example, if your total income is $50,000 but you have $5,000 in tax deductions, you would calculate your tax liability on $45,000. Listed below are some types of tax deductions. There are others. Speak with a tax professional to find you what other tax deductions you might be eligible to take.

**Accommodations.** Qualified (IRS-approved) costs associated with installing special equipment or modifying your home.

**Lodging.** Qualified costs associated with travel away from home to care for your child.

**Medical.** Qualified costs associated with maintaining and improving your child’s health. These costs must be itemized (listed on the tax return). The total amount of these costs must be greater than seven-and-a-half percent of your adjusted gross income (AGI). Your AGI is the total amount of income reported on your income tax return less certain allowable deductions, such as some business expenses, IRA contributions, student loan interest, and paid alimony.

**Example:**

If your AGI is $50,000 you would need more than $3,750 in IRS-approved medical expenses in order to take a tax deduction.

Math: $50,000 x .075 (7.5%) = $3,750.

**Travel.** Qualified costs associated with travel in caring for your child, such as gas and parking expenses incurred while traveling to and from the doctor’s office may be tax deductible. Some restrictions may apply, but generally you may take travel deductions if your child is:

- Under 19 years of age.
- Under 24 years of age if a full-time student.
- Any age if permanently and totally disabled (see Internal Revenue Service. “Publication 502: Medical and Dental Expenses.” November 10, 2009).

For more information on whether you may deduct travel expenses, speak with a tax professional or contact the IRS:

Call 1-800-829-1040 (Voice) or 1-800-829-4059 (TDD)
Visit [www.irs.gov](http://www.irs.gov) and search on “Publication 502”

Next Section: Tax Income Preparation - VITA
Volunteer Income Tax Assistance (VITA)

Volunteer Income Tax Assistance (VITA) is a government program that provides free tax preparation services for people with certain levels of income. VITA collaborates with the National Disability Institute (NDI), and Real Economic Impact (REI) Tour, and the Disability and Business Technical Assistance Centers (DBTACs) to better serve individuals with disabilities. Two significant efforts being made through these collaborations are:

1. Heighten awareness on the obligations VITA sites have under the American with Disabilities Act (ADA) to provide:
   - Better access to VITA facilities and to the location of the VITA services.
   - Alternative ways to communicate. Examples include audio recordings, text and instant messaging, and Braille and large-print materials.
   - Reasonable modifications and auxiliary aids and services.

2. Heighten awareness of disability etiquette and disability-specific tax issues related to:
   - Income sources for filers with disabilities
   - Tax provisions relevant to filers with disabilities.
   - Tax provisions relevant to parents of children with disabilities.

VITA sites are located in many but not all states. To find out what income level is required to qualify for VITA services and if there is a VITA site located near you:

- **Call** 1-800-906-9887
- **Visit** [www.irs.gov](http://www.irs.gov) and search on "VITA"

**Next Chapter: Family Relationships**