

## 5 Credits to Reduce Your 2012 Federal Income Tax Liability

The deadline for filing your income tax return with the IRS is just over 4 weeks away. If you haven't filed yet, there are a number of credits that can lower your total tax bill or maximize your refund. Unlike a deduction, which reduces the amount of your income subject to tax, credits actually reduce taxes you owe on a dollar-for-dollar basis, which means that they are great tools to limit your tax bill or maximize your refund. If you're interested in minimizing your tax liability, then here are five credits you should be aware of before filing your 2012 federal income tax return:

1. **The Earned Income Tax Credit:** The EIC is a tax credit for individuals and families who don't make a ton of money. Eligibility is determined based on certain income thresholds and number of children in the family. Generally, the amount of the credit is dependent on income and family size. For example, eligibility is determined based on earnings, filing status and eligible children, and workers without children may be eligible for a smaller credit. But, depending on those factors, the credit can be substantial. For example, a single parent making \$35,000 a year with three qualifying children can receive a credit of \$2,124 for 2012. If you worked and earned less than \$50,270, you can use the Earned Income Tax Credit assistance tool at [irs.gov](http://irs.gov) to figure out the amount of your credit.
2. **The Child and Dependent Care Credit:** The Child and Dependent Care Credit may be claimed by individuals that paid for the care of a child (under 13), a disabled spouse or a dependent that is not able to care for him or herself during 2012. The other requirement is that the care paid for enabled you to work or look for work. There is a dollar limit on the amount of your work-related expenses that can be used to figure the credit- \$3,000 per individual needing care. [Use this worksheet to determine whether you qualify for the Child and Dependent Care Credit and the amount you may be able to claim.](#)
3. **The Child Tax Credit:** The Child Tax credit is available to those individuals who have a qualifying child or children. In order to qualify, a child must have been under the age of 17 at the end of 2012, lived with you for more than ½ of the year, a U.S citizen and claimed as a dependent on your return. The credit may help reduce your federal income tax by up to \$1,000 for each qualifying child you claim on your return. You may be required to file the new [Schedule 8812](#), with your tax return to claim the credit. Interested individuals can take a look at [IRS Publication 972, Child Tax Credit](#), for more information.
4. **The Retirement Savings Contributions Credit (Saver's Credit):** An individual may be able to take a tax credit of \$1,000 (\$2,000 for couples filing jointly) for making certain contributions to an Individual Retirement Account or 401(k). In order to claim the credit, an individual must be over the age of 18, not a full-time student, not claimed as a dependent on any other person's return and fall below certain income thresholds. Single filers must have an adjusted gross income less than \$28,750 and couples filing jointly must have income less than \$57,500. The rate of the credit depends on the amount of any contributions to a qualified plan, income level and filing status and can range

anywhere from 10% to 50% of the total contribution amount. [For more information take a look at IRA Publication 590 on Individual Retirement Arrangements.](#)

5. **[The American Opportunity Tax Credit](#)**: The American Opportunity Tax Credit is a credit that helps offset some higher education costs. The credit applies to the first four years of post-secondary education (two and four year colleges, trade schools, etc.). The maximum credit is \$2,500 per eligible student and may be claimed by the student himself or by a spouse or parent (that can claim the student as a dependent) who paid the student's education expenses on his behalf. Forty percent of the credit, up to \$1,000, is refundable. Individuals claiming the credit [must file IRS Form 8863](#). [For more information on the AOTC, see IRS Publication 970 regarding Education Credits.](#)

These are just a few of the various tax credits available to taxpayers this season. For more information on those credits and deductions that may apply to you, it's important to do some research on your own, or speak to an attorney or accountant.

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