Grandparents who are raising their grandchildren may not be aware of the many tax benefits they may be able to claim. Here is a brief FAQ about what’s at stake.

**Q. I’m raising my grandchildren. What tax benefits are available to me?**

**A.** You might be eligible for the same tax benefits available to a parent raising children. If you qualify, these tax benefits can help you financially by reducing your tax bill, and maybe even give you a large tax refund:

- The dependent exemption – reduces taxable income by up to $4,050 per grandchild
- The child tax credit – up to $1,000 per child (*This credit is “refundable,” meaning that the credit will be paid to you even if you don’t owe any tax. You must have earned income of at least $3,000 to receive the refundable credit.*)
- The earned income tax credit (EITC) (also refundable) – up to $6,269, based on income and number of grandchildren
- The child and dependent care credit – up to $2,100, based on income and number of children

*All amounts listed are for tax year 2016.

**Q. How do I know if I qualify?**

**A.** Your grandchildren must live with you for more than half the year and meet other requirements. Each tax benefit comes with its own income limits and many additional restrictions and requirements. (See chart)

**Q. The word “Dependent.” It is referenced a lot. Can you explain the definition? Is there something about paying for over half of the child’s basic necessities? What if I am a Widow or Widower?**

**A.** In tax law there are two types of “Dependent.” “Qualifying Child” and “Qualifying Relative.”

* **Qualifying Child:** A Qualifying Child is your son, daughter, or their children. It can also be your younger sibling, niece, nephew, or a child legally placed with you by the court or other official agency. There is no requirement that you support the grandchild but the grandchild must live with you more than half the year and meet some other requirements. If you are a widow or widower and have a grandchild in your care you are still eligible for tax benefits.

* **Qualifying Relative:** Most dependents are Qualifying Children. A Qualifying Relative is a grandchild or other individual whom you support but who does not necessarily live with you. You must be paying for more than half of the basic financial necessities of the grandchild—shelter, food, clothes, etc.
Q. My grandchildren receive a lot of support from the state. Does that disqualify me?
A. No, not necessarily. You can usually still get federal tax benefits for grandchildren receiving state aid, child support from a parent, and other kinds of help from agencies and other people.

The only disqualifier for the qualifying grandchild support test is that the grandchild can’t provide his or her own support – meaning that over half of his or her support comes from certain kinds of income such as, but not limited to, a trust fund, survivors’ pension, or survivors’ Social Security; and of course, any income the grandchild might have if he has a job. Government support, such as Temporary Assistance for Needy Families, or “Welfare,” is considered “Third Party” support and so does not count as a disqualifier. Also, government support does not include Social Security benefits but does include Supplemental Security Income (SSI).

That said, if you’re claiming the grandchild as a “qualifying relative” (which is less common), then any support NOT provided by the grandparents will count. If support by others (government, foster care, other relatives, ANYTHING) is more than half, then the grandparents are disqualified.

Q. Is there an age limit to the credit for a disabled grandchild?
A. There is no particular credit for disabled grandchildren. The dependent exemption, the EITC, and the child/dependent care credit are potentially available for adult grandchildren of any age who are totally and permanently disabled.

Q. Is there an age limit on the dependency status for a grandchild, and what if he/she a fulltime student?
A. Generally, yes. The grandchild must be under the age of 19, or a full-time college student under the age of 24. Adult grandchildren who are totally and permanently disabled may be any age.

Q. Do the grandparents or relative caregivers prove the grandchild(ren) is living with them and not the parent?
A. They do not have to submit proof with their tax return, but, if challenged by the IRS, should be able to produce proof, such as school registration and attendance, medical records, etc..

Q. What benefits are available if I adopted my grandchild?
A. If you legally adopt your grandchild, you are eligible for a credit of up to $13,460 (for 2016). In addition to adoption fees, qualified expenses include court costs, attorney fees, and travel expenses. Under tax law, a legally adopted grandchild is treated the same way as a child “by blood.”

Q. Are tax credits counted as income?
A. They’re not counted as income for state taxes and generally not counted for state benefits. However, it is best to check with your state agency to see how federal tax refunds are treated.

Q. Does it make a difference if my grandchildren’s parent lives with me, too?
A. It could. Only one of you can claim tax benefits for the same child. Special rules apply when children live with parents, grandparents, and other adult relatives in the same home.
Q. I’m no longer married but still raising my grandchildren. How will that affect me?
A. In addition to the tax benefits mentioned, you may also qualify for "head of household" filing status on your tax return. This status can result in lower taxes than you’d have filing as a single person.

Q. Can I claim tax benefits if I’m raising my nephew?
A. Yes. The same possibilities for grandchildren apply to other children you may be raising. That can include nieces and nephews, their children (your great nieces and nephews), and even younger siblings.

Q. What can I do if the grandchild lives with me but someone else claims him/her before me?
A. You need to contact the IRS as soon as possible and explain the circumstances. If more than one person claims, or tries to claim any child, tax rules determine who is “first in line” to do so.

As you see, claiming grandchildren on your tax return can be challenging, but it can also provide many financial benefits. H&R Block tax professionals are ready to help you learn more about which benefits you may be eligible for, and how to claim them on your tax return.

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Check to see if you qualify for a tax benefit with this chart below:
<table>
<thead>
<tr>
<th>Qualifying Child Tests</th>
<th>Dependency exemption</th>
<th>Head of household filing status</th>
<th>Child tax credit</th>
<th>Earned income tax credit</th>
<th>Child and dependent care credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGE</td>
<td>✓</td>
<td>✓</td>
<td>Under age 17</td>
<td>✓</td>
<td>Under age 13 or disabled</td>
</tr>
<tr>
<td>1) Younger than taxpayer and under 19 or under 24 and full-time student, or 2) Any age and totally/permanently disabled</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RELATIONSHIP</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Taxpayer's son, daughter, stepson, stepdaughter, eligible foster child, brother, sister, half-sibling, stepsibling, or descendant of any of these individuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESIDENCY</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Child must have same principal place of abode as taxpayer for more than half the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUPPORT</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>No support requirement</td>
<td>✓</td>
</tr>
<tr>
<td>Child must not provide more than one-half of own support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CITIZENSHIP</td>
<td>✓</td>
<td>✓</td>
<td>U.S. citizen or resident only</td>
<td>✓</td>
<td>U.S. citizen or resident only; valid SSN needed</td>
</tr>
<tr>
<td>Child must be U.S. citizen or resident or resident of Canada or Mexico</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MARRIED CHILD</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>May not file a joint return with spouse other than a claim for refund</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>TAXPAYER MUST MEET ADDITIONAL REQUIREMENTS TO CLAIM THIS BENEFIT</td>
<td>Must not be claimed (or allowed to be claimed) as a dependent of another taxpayer</td>
<td>Must pay more than half the cost of maintaining home</td>
<td>Must meet AGI limitations; must have over $3,000 in earned income to qualify for the refundable portion of the credit</td>
<td>Must meet earned income, investment income, AGI limitations, SSN, U.S. residency, and other tests</td>
<td>Must pay for child/dependent care so taxpayer (and spouse) can work</td>
</tr>
<tr>
<td>THIS TAX BENEFIT MAY BE CLAIMED FOR A QUALIFYING RELATIVE</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>