

IRS TAX TIP 2004-22

HOW TO FIGURE THE ADVANCE CHILD TAX CREDIT

Taxpayers who plan to claim the Child Tax Credit on their federal income tax return should not claim the full \$1,000 per child if they received an advance Child Tax Credit payment check in 2003, according to the IRS. The payments were actually an advance on the credit's 2003 amount, when the maximum for each child rose from \$600 to \$1,000.

Taxpayers who received an advance payment should subtract the amount of the payment they already received from their \$1,000-per-child total and then figure the remaining amount of credit, if any, to claim on their tax return. Failure to do so will reduce and could delay the tax refund claimed.

To be sure of using the correct figures, advance payment recipients can find the amount they received on IRS Notice 1319, which they should have received just before the payment checks. Those who don't have this notice can get the amount by visiting the IRS Web site at www.irs.gov and clicking on "1040 Central" or "Your 2003 Advance Child Tax Credit."

Taxpayers must put the amount of their advance payment check on line 2 of their Child Tax Credit Worksheet. Taxpayers use this worksheet, found in the instructions for Forms 1040 and 1040A and in IRS Publication 972, "Child Tax Credit," to figure the amount of credit they can claim on their 2003 tax returns.

Taxpayers claiming the Child Tax Credit who did not receive an advance payment will get their entire benefit from the credit on their returns. Taxpayers whose advance payment was larger than the amount of their credit will not have to repay the difference but should not claim any Child Tax Credit on their 2003 returns.

If the advance payment was reduced because of past-due taxes or certain non-tax debts, taxpayers must use the full advance amount – before the reduction – in the worksheet. This is because taxpayers received the benefit of the advance payment amount by having their taxes or debts reduced by that amount.

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