

Tax Tips to Help New Parents Save Money

Congratulations, new mom or dad! Now take out the checkbook, because your bundle of joy comes with a bundle of new [expenses](#). But all those day care costs and pediatrician bills can bring new tax deductions that can help you ride out the first years of parenthood without going broke.

Here are the major ways your tax situation may change now that you're a parent.

Child tax credit

[This credit](#) is worth up to \$1,000, and you can claim it if you have a dependent child living with you who is under age 17. There are income limits that start phasing out this benefit at \$110,000 for couples, according to [criteria](#) on the Internal Revenue Service website.

Child care credit

If you pay for someone else to look after your child who is under age 13 while you work or look for work, you may qualify for a [child care credit](#) of \$600 to \$1,050 on as much as \$3,000 in costs, depending on your taxable income. The care provider can't be a spouse, and there are other qualifying rules.

Earned income tax credit

You don't need a kid to get [this credit](#), but when a couple has a child, they can have a much higher income before being disqualified. For example, a married couple's 2015 taxable income can't top \$20,330 to qualify, but that limit rises to \$44,651 when they add a child to the family. The limits increase for families with more children. The credit can be as much as \$3,359 for a couple with one child.

Health care expenses

Paying for health care may affect your tax bill in a few ways. First, 2014 was the first year in which taxpayers had to document that they had adequate health insurance for themselves and any dependents or face a penalty. Also, if you added your newborn to your workplace health

insurance plan, you may be paying higher premiums than you did before. Since the costs are deducted from your pretax pay, your taxable income may come down. If you pay significant medical expenses out of pocket, they have to exceed 10% of taxable income before they're deductible — and even then you must itemize your deductions to claim them and cut your taxes.

Parenthood is rewarding — and it may also help you out at tax time. A tax advisor can help you learn more about how parenthood affects what you owe Uncle Sam. The savings may take the sting out of the child-induced increase in your expenses.

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