

WHEN FILING, DON'T FORGET TO INCLUDE LAST SUMMER'S ADVANCE PAYMENT OF THE CHILD TAX CREDIT

A windfall made possible by the 2003 tax bill meant nearly 24 million American taxpayers received advance payment Child Tax Credit checks of up to \$400 per child last year. However, as with all good things, if taxpayers received the benefit once from Uncle Sam, they're not able to receive it a second time.

What does this mean for taxpayers as they prepare to file their 2003 returns? "If you received an advance payment check in 2003, you must subtract your advance payment amount when figuring the Child Tax Credit on your 2003 return," warns Jackie Perlman, Senior Tax Research Analyst at H&R Block.

Most important to remember, however, is that the advance payment does not reduce the refund on your 2003 return, nor does it increase the balance due, assuming your income and number of qualifying children remained the same. The advance payment is not taxed as income. It simply is an increase in the value of the credit (from \$600 to \$1,000) that you received early rather than having to wait until you filed your 2003 return.

IRS Eligibility Notice

Prior to the mailing of advance payment checks, the IRS sent each eligible taxpayer a Notice 1319 with the amount the taxpayer would be receiving. Whether you're a do-it-yourselfer or you seek professional tax help to prepare your return, you must be certain of the amount of advance payment you received in order to complete your 2003 return.

If you have misplaced the Notice and are unsure of the amount of the advance payment, you can verify the amount at the IRS Web site at www.irs.gov. Not having the correct advance payment information before filing your 2003 return can delay your refund from the IRS or can result in penalties and interest being accrued if you have a balance due amount.

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— Jackie Perlman,
CPA, Senior Tax
Research Analyst

Criteria for Advanced Child Tax Credit

Because the advance payment was based on 2002 tax information, changes in income or family status may have pushed people in or out of eligibility.

To have qualified for an advance payment, a child must:

- Have been born after 1986
- Be a citizen or resident of the United States
- Be claimed as the taxpayer's dependent, and
 - Be the taxpayer's
 - Child, step-child, adopted child or grandchild
 - Sibling, step-sibling or a descendent of any of them whom the taxpayer cared for as his or her own child, or
 - Eligible foster child.

Over- or Under-payments

If you received an advance payment that was larger than the Child Tax Credit you were entitled to receive (for example, the child is no longer your dependent), you do not have to repay the difference when you complete your 2003 return. Or, if you had a child in 2003, you may be eligible to claim up to \$1,000 for the Child Tax Credit when filing your 2003 return.