

Tax Credits Available for Stay at Home Parents

If parents have learned anything during the “Stay at Home” orders during the COVID-19 pandemic it is two things. One, teachers are amazing in how they handle a room of 20-30 (plus) children without any help. Two, a stay at home parent covers a ton of ground to keep a household operational. Both teachers and stay at home parents deserve an award. In this article, we are going to focus solely on stay at home parents and what tax credits may be available for this unrecognized group of workers.

We all realize that it is impossible to put a price tag on the cost of a stay at home parent. Therefore, there really is no taxable income credit available to these important workers in our economy. However, there are a few tax breaks/credits available to this group. What we wish to provide is a list of available credits and a few programs benefits available to stay at home parents that can help with their overall financial and tax management plans.

If you have dependents under the age of 13 you may be eligible for the dependent exemption. Because of changes to the tax law in the Tax Cuts & Jobs Act the amount of this exemption has been adjusted. The new amount is between \$500 and \$2,000 depending on circumstances. To claim the dependent a three-prong test must be conducted. First, the relationship to the taxpayer, such as a parent/child relationship. Second, does the dependent live with the taxpayer more than half the year? Third, does the taxpayer provide financial support to the dependent? For other dependents, their adjusted gross income must be under \$4,150 and the taxpayer must provide half of their support.

Similar to the dependent tax credit is the child tax credit. For the 2019 filing year you may receive up to \$2,000 per qualifying child 16 years of age or under. Up to \$1,400 of the credit is refundable. You are eligible for the credit with the guidelines reference in the previous paragraph and if your income is under \$400,000 for married filing jointly or \$200,000 for everyone else.

If you have college-age children, you may be able to deduct fees or tuition you pay. A taxpayer may claim up to \$4,000 in deductions for expenses. Insurance, transportation and room/board are not included in this deduction.

A stay at home parent may contribute up to \$6,000 annually into a “spousal” individual retirement account. This example is focused on couples. One spouse must earn income. The couple must file a joint tax return. The working spouse must earn income higher than the non-working spouses’ contribution to the IRA.

These are just a few examples of some programs available to stay at home parents. It will be interesting to see where things go this next year with the COVID-19 economic impact. With the extreme and sudden rise in unemployment and an expected steep, long return to a return to normal the government will likely make some additional tax related stipulations through the end of the year.