New parents have a lot to contend with when growing their families. Suddenly, besides having to figure out how to adjust their lives, they also have several matters to take care of that will help them meet their legal and social obligations. One of those obligations includes getting the new baby a Social Security number. If you're a new parent, having that Social Security number means that you can claim the baby as a dependent on your tax return. Having the Social Security in place affords a growing family child tax credits and deductions that can be very useful at this stage of family life.

While a deduction reduces the amount of income the government gets to tax, there are exemptions and credits that the IRS extends to growing families. These include the dependency exemption and the Child Credit. Similar to a tax deduction, a dependent exemption reduces your taxable income. The exemption allows you to claim your son or daughter as a dependent and will shelter a significant portion of your income from taxes, which saves you money in your tax bracket. For 2015 tax returns filed in 2016, the exemption amount will rise to $4,000. Adding another exemption for your dependent increases the number of exemptions you can claim. This exemption can be claimed until the age of 19, or if the child is a student under the age of 24, or permanently and totally disabled at any time during the year. More detailed explanations about deducting a child's exemptions can be found in Publication 17 "Federal Income Tax" and Publication 501 "Exemptions, Standard Deduction and Filing Information."

(By the way, there are certain requirements that change for dependents when they need to file their own federal tax returns. Be sure to review Publication 929 "Tax Rules for Children and Dependents" to understand when a child or dependent is required to file their own tax return.)

A new baby also means that you qualify for a $1,000 child tax credit every year until your child turns 17. There are some exceptions depending on which tax bracket you fall under. The Child Tax Credit is explained in detail in Publication 972 "Child Tax Credit." The publication discusses limits on the credit as well as additional child tax credits for certain individuals who get less than the full amount of the child tax credit. In order to claim the credit, be sure to fill out Form 1040, 1040A or 1040NR.

Additionally, if you end up paying for child care, there is a Child and Dependent Care Credit that is helpful to parents. The size of the credit is based on how much you spend for child and dependent care, as well as your income. Some of the costs associated with summer day camp may qualify as well. Under the Child Tax Credit, your income does have to fall into certain parameters to claim the credit, although it does not have to in order to claim the Child and Dependent Care Tax Credit. If you determine that you qualify for the Child Care credit, based on reviewing Publication 503 "Child and Dependent Care Expenses" then complete Form 2441 "Child and Dependent Care Expenses" and attach it to your 1040 or 1040A. You cannot use the Form 1040EZ and claim this credit. This Child and Dependent Care Tax Credit can reduce your tax bill considerably. Remember to review all the qualifying expenses and to check if your state offers their own version of the Child and Dependent Care Tax Credit.

There is also a credit if you adopt a child, in which case you review the instructions for Form 8839 "Qualified Adoption Expenses" and attach the completed form to your tax forms upon completion. You can also review Publication 17 "Your Federal Income Tax – Chapter 38, Other Credits." The adoption tax credit is to help offset the cost of adopting a child.

Also, don't forget to change your withholdings at work, because it will boost your take-home pay. Review your Earned Income Credit, because for a couple without children, the chance to claim the credit is lower. However, when you have a child, depending on your income, the income cutoff is higher and you may qualify for the Earned Income Credit, saving you money.

If you decide to start a child-care reimbursement account (a flexible spending account) at work, you may end up having a more tax-friendly way to pay your child-care bills than the Child and Dependent Care Credit. You are allowed to divert up to $5,000 a year of your salary into a special account that you can tap into to pay for your child care. Since the money you divert into the account avoids both federal and state income taxes, as well as Social Security and Medicare taxes, you can easily save more than the value of the Child and Dependent Care Credit.

If you are a single parent, check to see if you qualify to file as 'head of household' rather than 'single.' IRS Publication 501 "Exemptions, Standard Deduction, and Filing Information" explains the qualifications. The change in filing status increases your standard deduction and comes with higher income limits for various tax breaks, such as the Child Credit.

Making sure that you receive the appropriate tax breaks that new parents are entitled to permits you to take advantage of the opportunity to better manage your money as a growing family. As your child grows, you might consider looking into other tax benefits that are available for saving for college (529 plans or Coverdell Education Savings Accounts), kid IRAs (instructions for Form 5329), nanny taxes and kiddie taxes. In the meantime, make sure that you gain the benefit of tax breaks that are available to you today. We'd be happy to help you at any stage and you can rest assured that we understand how to serve your family's needs and secure for you the deductions and credits you earned.