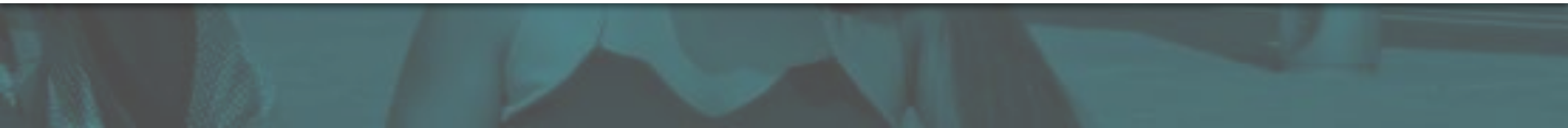


Dependency



Intro to Dependents

What is a dependent?

- A person, other than the taxpayer or spouse, who entitles the taxpayer to claim a dependency exemption as defined by the IRS.
 - The deduction for personal and dependency exemptions is suspended for tax years 2018 through 2025 by the Tax Cuts and Jobs Act.
- Dependents must pass a number of different tests in order to qualify
- Dependents are needed for State and City income tax returns
- Individuals who qualify to be claimed as a dependent may be required to file a tax return if they meet the filing requirements.

Intro to Dependents

Who are dependents?

- Dependents are either a **qualifying child** or a **qualifying relative** of the taxpayer.
- Some examples of dependents include a child, stepchild, brother, sister, or parent.

Who are not dependents?

- The taxpayer's spouse cannot be claimed as a dependent.

Intro to Dependents

- The ability to claim a dependent may make taxpayers eligible for other tax benefits.
- The following tax benefits may all be associated with a dependent:
 - Child tax credit,
 - Additional child tax credit,
 - Credit for other dependents,
 - Earned income credit,
 - Child and dependent care credit,
 - Head of household filing status

All Dependent Rules

- A dependent may be either a qualifying child or a qualifying relative.
- Both types of dependents have unique rules, but some requirements are the same for both.
- To determine if an individual can be claimed as a dependent, begin with the rules that apply to both qualifying child and qualifying relative dependents:
 - Dependent taxpayer test
 - Joint return test
 - Citizen or resident test

All Dependent Rules

Dependent taxpayer test:

- A taxpayer (or taxpayer's spouse, if filing a joint return) who may be claimed as a dependent by another taxpayer may not claim anyone as a dependent on his or her own tax return.

Joint return test:

- A married person who files a joint return cannot be claimed as a dependent unless that joint return is filed only to claim a refund of withheld income tax or estimated tax paid.

Citizen or resident test:

- To be claimed as a dependent, a person must be a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico.

Qualifying Child Tests

Five tests must be met for a child to be a qualifying child.

1. Relationship:

- To meet this test, the child must be:
 - Your son, daughter, stepchild, foster child, or a descendant (for example, your grandchild) of any of them, **or**
 - Your brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant (for example, your niece or nephew) of any of them.
- An adopted child is treated as the taxpayer's own child for the purposes of the relationships described above.

Qualifying Child Tests

Five tests must be met for a child to be a qualifying child.

2. Age:

- To meet this test, the child must meet one of the following three criteria:
 - Under age 19 at the end of the year and younger than you (or your spouse if filing jointly),
 - Under age 24 at the end of the year, a full time student for five months out of the year and younger than you (or your spouse if filing jointly), or
 - Any age if permanently and totally disabled at any time during the year. An individual is considered permanently and totally disabled if both of the following conditions apply:
 - He or she can't engage in any substantial gainful activity because of a physical or mental condition.
 - A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

Qualifying Child Tests

Five tests must be met for a child to be a qualifying child.

3. Residency:

- To meet this test, the child must have lived with the taxpayer for more than half the year.
- The taxpayer's home is any location where they regularly live; it does not need to be a traditional home. For example, a child who lived with the taxpayer for more than half the year in one or more homeless shelters meets the residency test.

Exceptions:

- The child is considered to have lived with the taxpayer during periods of time when either the child or the taxpayer is temporarily absent due to illness, education, business, vacation, military service, institutionalized care for a child who is permanently and totally disabled, or incarceration.
- A child who was born (or died) during the year is treated as having lived with the taxpayer for more than half of the year, if the taxpayer's home was the child's home for more than one-half of the portion of the taxable year during which the individual was alive.
 - In the case of a child who was born and died during the year, a SSN is not required but the return cannot be e-filed. The tax return must be mailed.

Qualifying Child Tests

Five tests must be met for a child to be a qualifying child.

4. Support:

- To meet this test, the child can't have provided more than half of their own support for the year.
 - State benefits provided to a person in need, such as welfare, food stamps or housing, are generally considered support provided by state.
 - If a child receives Social Security benefits that are used for the child's own support, the benefits are considered to be provided by the child.
 - A scholarship received by a child who is a student isn't taken into account in determining whether the child provided more than half of his or her own support.
 - Use the worksheet on page C-7 of the 4012 to help determine who paid more for the support of the child.

5. Joint return:

- Child can't file a joint return for the year.

Tiebreaker Rules for Qualifying Child for More than One Person

- Although a child could meet the conditions to be the qualifying child of more than one person, only one taxpayer can claim the child as a qualifying child for the following tax benefits:
 - Dependent
 - Child tax credit or credit for other dependents
 - Head of Household filing status
 - Credit for child and dependent care expenses
 - Exclusion from income for dependent care benefits
 - Earned income credit
- If two taxpayers have the same qualifying child, then only one taxpayer can claim all of the benefits for that particular qualifying child.
 - They cannot agree to split these benefits.
 - The other taxpayer cannot claim any of the benefits, based on the same qualifying child.

Tiebreaker Rules for Qualifying Child for More than One Person

To determine which taxpayer can treat the child as a qualifying child and claim the benefits, apply these rules:

- If only one of the taxpayers is the child's parent, the child is the qualifying child of the parent.
- If the parents file a joint return together and can claim the child as a qualifying child, the child is treated as the qualifying child of the parents.
- If the parents do not file a joint return together but both parents claim the child, IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time during the tax year. If the child lived with both parents the same amount of time, IRS will treat the child as the qualifying child of the parent who had the higher Adjusted Gross Income (AGI) for the tax year.
- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for the tax year and who meets the requisite tests.
- If a parent can claim the child as a qualifying child but no parent does, the child is treated as the qualifying child of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of any of the child's parents who could claim the child.

Qualifying Relative Tests

Four tests must be met for a person to be a qualifying relative.

1. Not a Qualifying Child:

- A child isn't your qualifying relative if the child is your qualifying child or the qualifying child of any other taxpayer.
- A child may qualify as the taxpayer's dependent under the tests for qualifying relative, even if that child is the qualifying child of another taxpayer.
 - This is allowed only when the child's parent (or other person for whom the child is a qualifying child) is not required to file an income tax return and either:
 - a. Does not file a return, or
 - b. Only files to get a refund of income tax withheld or estimated tax paid

Qualifying Relative Tests

Four tests must be met for a person to be a qualifying relative.

2. Member of household or relationship:

- To meet this test, the person must either:
 - Live as a member of the taxpayer's household all year, or
 - Be related to the taxpayer in one of the following ways: Child, stepchild, foster child or a descendant of any of them; Brother, sister, half-brother or sister, step brother or sister; Father, mother, grandparent or other direct ancestor, but not foster parent; Stepfather or mother; Nephew or Niece; Son or daughter of the taxpayer's half-brother or sister; Uncle or aunt; In-laws (son, daughter, father, mother, brother or sister)
- Any of these relationships that were established by marriage are not ended by death or divorce.
- Cousins can meet the relationship test for qualifying relative only if they live with the taxpayer for the entire year.

Qualifying Relative Tests

Four tests must be met for a person to be a qualifying relative.

2. Member of household or relationship:

- An unrelated person who lived with the taxpayer for the entire year can also meet the member of household or relationship test.
 - If the relationship violates local laws, this test is not met. For example, if the taxpayer's state prohibits cohabitation, then that person cannot be claimed, even if all other criteria are met.
 - Michigan is a non-cohabitation state, so taxpayers **cannot** claim their significant others that live with them as dependents.
- Qualifying relatives can be unrelated, as long as they lived with the taxpayer all year.
- A taxpayer may not claim a housekeeper or other household employee as a dependent.

Qualifying Relative Tests

Four tests must be met for a person to be a qualifying relative.

3. Gross Income:

- To meet this test, the dependent's gross income for the tax year must be less than the threshold amount.
 - \$4,400 for 2022

4. Support Test:

- To meet this test, the taxpayer must have provided more than 50% of the person's total support for the tax year.
- This support test is different from the one for a qualifying child, which tests whether the child provided more than one half of their own support.
- Reminder: State benefit payments like welfare, Temporary Assistance for Needy Families (TANF), food stamps, or housing assistance are generally considered support provided by the state, not by the taxpayer.

Multiple Support Agreements

- Sometimes no one provided more than half the support of a person.
- Multiple support means that two or more people who could claim the person as a dependent (except for the support test) together provide more than half the dependent's support.
- In this situation, the individuals who provide more than 10% of the person's total support, and who meet the other tests for a qualifying relative, can agree that one of them will claim the person as a dependent for any applicable tax benefits.
 - The taxpayer claiming the dependent must file Form 2120, Multiple Support Declaration or similar statement, with the tax return.
 - The other taxpayers providing over 10% of the person's support must provide a written and signed statement agreeing not to claim the dependent for that year.
- Multiple Support Agreements apply only to a qualifying relative, not to a qualifying child.
 - If you can claim a person as a dependent only because of a multiple support agreement, that person isn't a qualifying person for Head of Household status.

Rules for Children of Divorced or Separated Parents

- However, a child will be treated as the qualifying child or qualifying relative of his or her noncustodial parent if all the following conditions apply:
 1. The parents:
 - are divorced or legally separated under divorce or separate maintenance decrees or written separation agreements, **or**
 - lived apart at all times during the last six months of the year whether or not they are or were married
 2. The child received over half of his or her support for the year from the parents.
 3. The child was in the custody of one or both parents for more than half the year.
 4. The custodial parent signs a written declaration (Form 8332 or a similar statement) that he or she will not claim the child as a dependent for the year and the noncustodial parent attaches this declaration to his or her return.
- This special rule is the exception to the residency test for qualifying child and the support test for qualifying relative

Custodial and Noncustodial Parents

- The custodial parent is the parent with whom the child lived for the greater number of nights during the year.
- The other parent is the noncustodial parent.
- If the parents divorced or separated during the year and the child lived with both parents before the separation, the custodial parent is the one with whom the child lived for the greater number of nights during the rest of the year. A child is treated as living with a parent for a night if the child sleeps:
 - At that parent's home, whether or not the parent is present, **or**
 - In the company of the parent, when the child does not sleep at a parent's home (for example, the parent and child are on vacation together).
- If the child lived with each parent for an equal number of nights during the year, the custodial parent is the parent with the higher adjusted gross income.

Revocation of Release of Claim to an Exemption

- Custodial parents can revoke a release of claim to exemption they previously provided to the noncustodial parent on Form 8332 or a similar statement.
- The custodial parent must provide, or make a reasonable effort to provide, the noncustodial parent with written notice of the revocation in the calendar year prior to the tax year in which the revocation is to take effect.
- Part III of Form 8332 can be used for this purpose.
- Attach a copy of the revocation to the return for each tax year the child is claimed as a dependent as a result of the revocation.

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