

DEPENDENTS AND EXEMPTIONS

EXEMPTIONS

- Yourself
 - Your spouse, if filing Married Filing Joint
 - Your dependent(s)
-
- Federal \$3,700
 - Maryland \$3,200

DEPENDENTS

- Qualifying Child
- U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico.
- Single (Or married and does not file a joint tax return, unless for refund purposes only).

QUALIFYING CHILD

A qualifying child is a child who is your –

Son, daughter, stepchild, foster child, sibling, stepsibling, or a descendant of any of them (for example, your grandchild, niece, or nephew).

AND

Was under age 19 at the end of 2011 OR

Was under age 24 at the end of 2011 and a full time student OR

Any age and permanently and totally disabled

AND

Did not provide over half of his or her own support for 2011

AND

Lived with you for more than half of 2011. (Exception: temporary absences for special circumstances such as school, vacation, business, medical, military, juvenile detention).

FOSTER CHILD

- Any child placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

STUDENT

- A student is a child who during any part of 5 calendar months of 2011 was enrolled as a full-time student at a school, or took a full-time, on-farm training course given by a school or a state, county, or local government agency. A school includes a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or school courses only through the Internet.

QUALIFYING CHILD DEFINITION REVISED FOR YEARS AFTER 2008

- Your qualifying child must be younger than you.
- If the qualifying child files a joint return with their spouse, you cannot claim them, unless they are filing solely to claim a refund.
- If the qualifying child's parents can claim the child, but do not, no one else can claim the child unless their AGI is higher than the highest AGI of any parent of the child.
- For child tax credit purposes, you must claim the exemption for the child in order to claim the child tax credit for the same child.

QUALIFYING RELATIVE

Test:

- 1. Not a Qualifying Child
 - 2. Member of Household
 - 3. Gross Income
 - 4. Support
-
- Was not a qualifying child of any taxpayer for 2011.
 - Member of Household does not apply to:
Your child/stepchild/foster child or descendant of any of them
Sibling or half sibling, or a son or daughter of them
Parent, grandparent or other direct ancestor, but not a foster parent
Stepparent, son-in-law, daughter-in-law, mother-in-law, father-in-law, brother-in-law, sister-in-law

AND

- Had gross income of less than \$3,700 in 2011 (unless *permanently* and totally disabled).

AND

- You provided over half of his or her support in 2011.

CHILDREN OF DIVORCED OR SEPERATED PARENTS

- A child will be treated as being the qualifying child or qualifying relative of his or her noncustodial parent if all the following conditions apply:
 1. The parents are divorced, legally separated, separated under a written separated agreement, or lived apart at all times during the last 6 months of 2011.
 2. The child received over half of his or her support for 2011 from the parents (without regard to the rules on Multiple Support Agreements).
 3. The child is in custody of one or both of the parents for more than half of 2011.
 4. Either of the following applies:
 - a. The custodial parent signs Form 8332 or a substantially similar statement, and the noncustodial parent attaches the statement to his or her return. If the divorce decree or separation agreement went into effect after 1984, the noncustodial parent can attach certain pages from the decree or agreement instead of Form 8332.
 - b. A pre-1985 decree of divorce or separate maintenance agreement between the parents provides that the noncustodial parent can claim the child as a dependent, and the noncustodial parent provides at least \$600 for support of the child during 2011.
 - c. Form 8332 MUST be used if the decree or agreement is post 2008.

If conditions 1 through 4 apply, only the noncustodial parent can claim the child for purposes of the dependency exemption and the child tax credit. It does not apply to head of household filing status, credit for child and dependent care expenses, the exclusion for dependent care benefits, or the earned income credit.

QUALIFYING CHILD OF MORE THAN ONE PERSON

- If only one of the persons is the child's parent, the child will be treated as the qualifying child of the parent.
- If two of the persons are the child's parents, the child will be treated as the qualifying child of the parent with whom the child lived for the longer period of time in 2011. If the child lived with each parent for the same amount of time, the child will be treated as the qualifying child of the parent who had the higher AGI for 2011.
- If none of the persons are the child's parent, the child will be treated as the qualifying child of the person who had the highest AGI for 2011.

Kidnapped Child

- If your child is presumed by law enforcement authorities to have been kidnapped by someone is not a family member, you may be able to take the child into account in determining your eligibility for head of household or qualifying widow(er) filing status, the deduction for dependents, child tax credit, and the EIC.

EARNED INCOME CREDIT

The maximum earnings are

- 3 children - \$43,998/\$49,078 MFJ
(Maximum credit \$5,751)
- 2 children - \$40,964/\$46,044 MFJ
(Maximum credit \$5,112)
- 1 child - \$36,056/\$41,132 MFJ
(Maximum credit \$3,094)
- 0 child - \$13,660/\$18,740 MFJ
(Maximum credit \$464)
- with investment income of less than \$3,150

CHILD TAX CREDIT

- Qualifying child
- Under age 17
- U.S. citizen, U.S. national, U.S. resident alien
- Must be claimed on your return

CHILD & DEPENDENT CARE EXPENSES

- Expenses for your child who must be under age 13 (you can deduct the expenses in the year the child turns 13 if the care was provided prior to the birthdate)
- Expenses for your mentally or physically disabled spouse
- You must identify the care provider by name, address, and identifying number.
- You and your spouse (if MFJ) must be working or actively seeking employment (unless one of you is permanently and totally disabled).
- You cannot be filing as MFS.

FILING REQUIREMENTS

- **Children and Other Dependents** If your parent (or someone else) can claim you as a dependent, use this chart to see if you must file a return.

Unearned income includes taxable interest, ordinary dividends, and capital gain distributions. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust.

Earned income includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants.

Gross income is the total of your unearned and earned income.

- **Single dependents.** Were you **either** age 65 or older **or** blind?
- **No.** You must file a return if **any** of the following apply.
 - Your unearned income was over \$950.
 - Your earned income was over \$5,800.
 - Your gross income was more than the **larger** of—
 - \$950, or
 - Your earned income (up to \$5,500) plus \$300.
- **Yes.** You must file a return if **any** of the following apply.
 - Your unearned income was over \$2,400 (\$3,850 if 65 or older **and** blind).
 - Your earned income was over \$7,250 (\$8,700 if 65 or older **and** blind).
 - Your gross income was more than the **larger** of—
 - \$2,400 (\$3,850 if 65 or older **and** blind), or
 - Your earned income (up to \$5,500) plus \$1,750 (\$3,200 if 65 or older **and** blind).

- **Married dependents.** Were you **either** age 65 or older **or** blind?
- **No.** You must file a return if **any** of the following apply.
 - • Your unearned income was over \$950.
 - • Your earned income was over \$5,800.
 - • Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - • Your gross income was more than the **larger** of—
 - • \$950, or
 - • Your earned income (up to \$5,500) plus \$300.
- **Yes.** You must file a return if **any** of the following apply.
 - • Your unearned income was over \$2,100 (\$3,250 if 65 or older **and** blind).
 - • Your earned income was over \$6,950 (\$8,100 if 65 or older **and** blind).
 - • Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - • Your gross income was more than the **larger** of—
 - • \$2,100 (\$3,250 if 65 or older **and** blind), or
 - • Your earned income (up to \$5,500) plus \$1,450 (\$2,600 if 65 or older **and** blind).

Tax on Child's Investment Income:

Form 8615 is required to figure the tax on a child's investment income of more than \$1,900 if the child was:

1. Under 18 at the end of 2011
2. Age 18 at the end of 2011 and earned less than half of their own support.
3. A full time student over age 18 and under age 24 at the end of 2011 and earned less than half of his/her own support.

FORM 8814

Parents' Election to Report Child's Interest and Dividends

- The child must be under age 19 (or 24 if a full time student)
- Child's only income was interest and dividends totaling less than \$9,500
- The child is required to file a return
- The child is not filing a joint return
- There is no federal income tax withheld from the child's income or estimated payments made for the child
- If your child received qualified dividends or capital gain distributions, you may pay up to \$95 more tax if you make this election instead of filing a separate tax return for the child. This is because the tax rate on the child's income between \$950 and \$1,900 is 10% if you make this election. However, if you file a separate return for the child, the tax rate may be as low as 0% (zero percent) because of the preferential tax rates for qualified dividends and capital gain distributions.

HEAD OF HOUSEHOLD

Who is a Qualifying Person?

QUALIFYING CHILD – SINGLE – YES, WHETHER OR NOT YOU CAN CLAIM THE EXEMPTION

QUALIFYING CHILD – MARRIED – YES, ONLY IF YOU CAN CLAIM THE EXEMPTION

QUALIFYING RELATIVE WHO IS YOUR PARENT – YES, ONLY IF YOU CAN CLAIM THE EXEMPTION

QUALIFYING RELATIVE OTHER THAN YOUR PARENT – YES, ONLY IF LIVED WITH YOU FOR MORE THAN $\frac{1}{2}$ THE YEAR AND A RELATIVE AS DEFINED IN QUALIFYING RELATIVE WHO DO NOT HAVE TO LIVE WITH YOU, AND YOU CAN CLAIM THE EXEMPTION