



Tax Credit Alliance

O F N E B R A S K A

Dependents, Child Tax Credit,
Additional Child Tax Credit &
Credit for Other Dependents



**CENTER ON CHILDREN,
FAMILIES, AND THE LAW**

Exemptions & Dependents

The deduction for personal exemptions is suspended (reduced to \$0) for tax years 2018 through 2025 for Form 1040 per the Tax Cuts & Job Act

Although the exemption amount is zero, the ability to claim a dependent may make taxpayers eligible for other tax benefits

Defining Dependents

Dependents are either a **qualifying child** or a **qualifying relative** of the taxpayer. The taxpayer's spouse cannot be claimed as a dependent. Some examples of dependents include a child, stepchild, brother, sister, or parent

The Marital Status and Household Information section of the intake and interview sheet addresses the issues concerning dependency

- Use Tab C in Pub 4012,
- Intake/Interview & Quality Review, and
- Your interview

In General...

You can't claim any dependents if you, or your spouse if filing jointly, could be claimed as a dependent by another taxpayer

You can't claim a married person who files a joint return as a dependent unless that joint return is only to claim a refund of income tax withheld or estimated tax paid

You can't claim a person as a dependent unless that person is a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico

You can't claim a person as a dependent unless that person is your qualifying child or qualifying relative

Tests to Determine Dependents or Qualifying Relative

Dependent Tax Payer 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

Tests for Qualifying Child

Relationship

Age

Residency

Support



Relationship Test

- The taxpayer's son, daughter, stepchild, foster child (placed by an authorized placement agency), or a descendant (for example, a grandchild) of any of them
- The taxpayer's brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant (for example, 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. For example, an adopted brother or sister is a brother or sister of the taxpayer. An adopted child includes a child who was lawfully placed with a person for legal adoption.

Age Test - To meet this test, the child must meet one of the following three criteria:

- Under age 19 at the end of the tax year and younger than the taxpayer (or the taxpayer's spouse, if filing jointly)
- A full-time student under the age of 24 at the end of the year and younger than the taxpayer (or spouse, if filing jointly)
 - To qualify as a student, the child must be enrolled in the number of hours or courses the school considers full-time during some part of at least five months of the year. See Publication 17 for additional details.
- Any age if permanently and totally disabled at any time during the year.
 - 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.

Residency Test

- 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 (includes homeless shelters)
- Exceptions to the Residency Test.
 - 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 or kidnapped during the year, as long as the other dependency tests were met.

Support Test

- The child cannot have provided more than half of his or her own support during the tax year
- A person's own funds are not support unless they are actually spent for support

Can the Child Be a Qualifying Child of 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 (exception: if the special rule for children of divorced or separated parents or parents who live apart applies):

- 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
 - Premium tax credit, generally See the Volunteer Resource Guide, Tab C, Dependents, Qualifying Child of More Than One Person chart.
- 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.

To determine which taxpayer can treat the child as a qualifying child and claim the benefits, apply these rules keeping in mind that an adopted child is treated as the taxpayer's own child:

- 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. If the parents file a joint return together, this rule allows the parents to divide their combined AGI equally (between themselves).

Tests for Qualifying Relative

- Not a qualifying child test
- Member of household or relationship test
- Gross income test, and
- Support
- Note...Unlike a qualifying child, a qualifying relative can be any age.

Not a Qualifying Child Test

- A child is not considered a taxpayer's qualifying relative if the child is the taxpayer's qualifying child or is the qualifying child of another taxpayer. However, there is an exception to this statement.
 - 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:
 - Does not file a return, or
 - Only files to get a refund of income tax withheld or estimated tax paid

Member of household or relationship test

- 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, half-sister, stepbrother or stepsister
 - Father, mother, grandparent or other direct ancestor, but not foster parent
 - Stepfather or stepmother
 - Son or daughter of the taxpayer's brother or sister (nephew or niece)
 - Son or daughter of the taxpayer's half-brother or half-sister
 - Brother or sister of the taxpayer's father or mother (uncle or aunt)
 - Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law

Not A Qualifying Child Test Question

Todd has lived with his girlfriend, Eva, and her two children all year in his home. Eva is not required to file, and does not file, a tax return this year. Eva and her two children pass the “not a qualifying child test” to be Todd’s qualifying relatives. If Todd meets all other tests, Eva and her two children are qualifying relatives. (Eva and Todd’s relationship does not violate local laws.)

All the facts are the same as in the previous example, except that Eva’s gross income is \$25,000, and she is required to file a return. In this situation, are the children Todd’s qualifying relatives?

- a. Yes
- b. No

Gross Income Test

To meet this test, the dependent's gross income for the tax year must be less than the threshold amount

- Refer to the Volunteer Resource Guide for the current year threshold amount
- Gross income is all income in the form of money, property, and services that is not exempt from tax
 - Specific examples are found in the Volunteer Resource Guide, Tab D, Income
- Remember this test does not apply to qualifying children, only qualifying relatives
- For purposes of this test, the gross income of an individual who is permanently and totally disabled does not include income from a sheltered workshop

Support

To meet this test, the taxpayer must have provided **more than 50% of the person's total support** for the tax year.

- Note that 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. When calculating the amount of total support, taxpayers should compare their contributions with the entire amount of support the person received from all sources (such as taxable income, tax-exempt income, and loans).
- Review the list of valid support expenses and the Worksheet for Determining Support in the Volunteer Resource Guide, Tab C, Dependents, or in Publication 17.
- 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
- Social Security benefits received by a child and used toward support are considered to have been 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.
 - Refer to the Worksheet for Determining Support in the Volunteer Resource Guide, Tab C, Dependents, or the Dependents chapter of Publication 17.

Special Rule for Children of Divorced or Separated Parents or Parents Who Live Apart

- In most cases, the child is the qualifying child of the custodial parent.
- 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:
 - This rule does not apply for *Head of Household* filing status, the credit for child and dependent care expenses, or the earned income credit.
 - For these benefits, the child must meet the residency test. The custodial parent may still qualify for these provisions even though the noncustodial parent can claim the dependent for other tax benefits.

Continued..

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. (Multiple Support Agreement rules do not apply.)

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.

- If the decree or agreement went into effect after 1984 and before 2009, the noncustodial parent may be able to attach certain pages from the decree or agreement instead of Form 8332.
- For a pre-1985 decree or agreement, see Publication 17.
- This special rule is the exception to:
 - The residency test for qualifying child
 - The support test for qualifying relative Custodial and Noncustodial Parent

Determining Who is the Custodial Parent/Noncustodial Parent

- 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*.

Question:

Ted is divorced and has a daughter who lived with him and his ex-spouse for an equal number of nights. Ted's adjusted gross income is \$45,000 and his ex-spouse's adjusted gross income is \$30,000. Who is considered the custodial parent?

Tests To Be a Qualifying Child	Tests To Be a Qualifying Relative
<ol style="list-style-type: none"> 1. The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them. An adopted child is always treated as your own child. The term "adopted child" includes a child who was lawfully placed with you for legal adoption. 2. The child must be: (a) under age 19 at the end of the year and younger than you (or your spouse, if filing jointly), (b) under age 24 at the end of the year, a full-time student, and younger than you (or your spouse, if filing jointly), or (c) any age if permanently and totally disabled. 3. The child must have lived with you for more than half of the year.² 4. The child must not have provided more than half of his or her own support for the year.⁵ 5. The child isn't filing a joint return for the year (unless that joint return is filed only to claim a refund of income tax withheld or estimated tax paid). 6. If the child meets the rules to be a qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child. See the "Qualifying Child of More Than One Person" chart. 	<ol style="list-style-type: none"> 1. The person can't be your qualifying child or the qualifying child of any other taxpayer. A child isn't the qualifying child of any other taxpayer if the child's parent (or any other person for whom the child is defined as a qualifying child) isn't required to file an income tax return or files an income tax return only to get a refund of income tax withheld. 2. The person either (a) must be related to you in one of the ways listed under Relatives who don't have to live with you (see Table 2, step 2), or (b) must live with you all year as a member of your household² (and your relationship must not violate local law). 3. The person's gross income for the year must be less than \$4,700.³ Gross income means all income the person received in the form of money, goods, property and services, that isn't exempt from tax. Don't include Social Security benefits unless the person is married filing a separate return and lived with their spouse at any time during the tax year or if 1/2 the Social Security benefits plus their other gross income and tax exempt interest is more than \$25,000 (\$32,000 if MFJ). 4. You must provide more than half of the person's total support for the year.^{4, 5}

Summary – For a taxpayer to claim a dependent, the following conditions must be met.

- The taxpayer may not claim a dependent if the taxpayer may be claimed as a dependent on another taxpayer's return
- The taxpayer may not claim a dependent who files a joint return unless the joint return is filed only to claim a refund and no tax liability would exist for either spouse on separate returns
- A person cannot be claimed as a dependent unless that person is a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico, for some part of the year (There is an exception for certain adopted children)
- A dependent must be either a qualifying child or qualifying relative

Child Tax Credit

- For 2023 Child Tax Credit is nonrefundable
- Must have a tax liability to take the credit
- Will receive up to \$2,000 for a child 16 and younger
- Taxpayers must have a SSN or ITIN
- The phase out amounts are:
 - \$400,000 for Married filing joint
 - \$200,000 for all other taxpayers

Child Tax Credit

- Qualifying Child for Child Tax Credit
 - Under the age 17 at the end of the tax year
 - A U.S. citizen or U.S. National or resident alien
 - Child must be your dependent
 - Must be son, daughter, adopted, step or foster child or any descendent, or
 - Brother, sister, half or step sibling or any descendent
 - The child does not provide more than half of their own support
 - The child lived with the taxpayer for more than half the year
 - Must have a Social Security Number that is valid for employment

Child Tax Credit

Step	Probe/Ask the taxpayer:	Action
1	Is this person your qualifying child dependent? See Tab C, Dependents, Table 1: All Dependents	If YES , go to Step 2. If NO , you can't claim the child tax credit for this person. This person may qualify for the credit for other dependents, go to Table 2.
2	Did the child have an SSN, ITIN, or adoption taxpayer identification number (ATIN) issued on or before the due date of your return (including extensions)? (Answer "Yes" if you are applying for an ITIN or ATIN for the child on or before the due date of your return (including extensions.)	If YES , go to Step 3. If NO , you can't claim the child tax credit or the credit for other dependents for this child.
3	Was the child a U.S. citizen, U.S. national, or U.S. resident alien? (See Pub. 519, U.S. Tax Guide for Aliens, for the definition of a U.S. national or U.S. resident alien. If the child was adopted, see Exception to citizen test, below.)	If YES , go to Step 4. If NO , you can't claim the child tax credit or the credit for other dependents for this child.
4	Was the child under age 17 at the end of 2023?	If YES , go to Step 5. If NO , you can claim the credit for other dependents for this child.
5	Does this child have a Social Security Number valid for employment issued before the due date of the return (including extensions)?	If YES , you can claim the child tax credit for this person. Use Schedule 8812 to calculate the credit. If NO , you can claim the credit for other dependents for this child.

Additional Child Tax Credit

- Some taxpayers may qualify for additional child tax credit
- It is a refundable credit
- If the taxpayer has one or two qualifying children they must have at least \$2,500 of earned income
- If the taxpayer has three or more qualifying children they are eligible regardless of income
- The credit is limited to \$1,600 per child

Credit for Other Dependents

- \$500 nonrefundable credit for dependents who do not qualify for the child tax credit
 - Children over 16
 - Dependents with other relationships such as parents
 - Children who do not have a valid SSN
- The dependent must be a US Citizen, US National or resident
- The dependent must have a valid identification number (ATIN, ITIN or SSN)

Credit for Other Dependents

Step	Probe/Ask the taxpayer:	Action
1	Is this person your qualifying relative dependent? See Tab C, Dependents, Table 2: Qualifying Relative Dependents.	If YES , go to Step 2. If NO , you can't claim the credit for other dependents for this person.
2	Did your qualifying relative have a SSN, ITIN, or ATIN issued on or before the due date of your 2023 return (including extensions)? (Answer "Yes" if you are applying for an ITIN or ATIN for the qualifying relative on or before the return due date (including extensions).	If YES , go to Step 3. If NO , you can't claim the credit for other dependents for this person.
3	Was your qualifying relative a U.S. citizen, U.S. national, or U.S. resident alien?	If YES , you can claim the credit for other dependents for this person. If NO , stop. You can't claim the credit for other dependents for this person.

Noncustodial parent

- Generally, the child is considered a dependent for custodial parent
- The noncustodial parent can take the child tax credit, additional child tax credit or credit for other dependent if the child is released by the custodial parent by the form 8332 or similar document
- Noncustodial parent must attach this form to their tax return
- Example from Pub 4491



Mary and Ralph got a divorce in 2015. They have one child together, Amy, who lives with Mary. All are U.S. citizens and have SSNs. Mary and Ralph provide more than half of Amy's support. Mary's AGI is \$31,000, and Ralph's AGI is \$39,000. Amy is 12. The divorce decree does not state who can claim the child.

Ralph, the noncustodial parent, can claim the child tax credit only if Mary signs Form 8332. Mary can still claim the earned income credit, Head of Household, and child and dependent care credit for Amy assuming she qualifies for them.

Examples from Pub 4491

Question 1: Jose and Yolanda Alameda are Married Filing Jointly and have five dependent children under the age of 17. Jose and Yolanda both have valid SSNs. Their children have Individual Taxpayer Identification Numbers (ITINs). Are their children qualifying children for the purpose of the child tax credit?

- a. Yes
- b. No



Ed's son, Jeff, turned 17 on December 30, and has a valid Social Security number (SSN). He is a citizen of the United States. According to the child tax credit rules, he is not a qualifying child for the child tax credit because he was not under the age of 17 at the end of the tax year.



Robert and Susan file a joint return and they both have SSNs. Their tax liability is \$2,000. They have three qualifying dependents. Tom is their 18-year-old son, has an SSN, and meets the qualifying child dependent test. Jill is their 16-year-old adopted child, has an ATIN, and meets the qualifying child dependent test. Robert's mother, Esther, is 65 years old, has an ITIN, and meets the qualifying relative test. They are all U.S. residents. Tom, Jill, and Esther are all qualifying dependents for the credit for other dependents.

Examples from Pub 4491

Question 2: Laura's adopted son Jack is 12. He is a citizen of the United States and lived with Laura for the entire tax year, during which time Laura provided full financial support. Is Jack a qualifying child for the child tax credit?

- a. Yes
- b. No

Question 3: Which one of the following individuals (all of whom have two qualifying children for the purposes of the child tax credit) are eligible to claim the maximum \$2,000 per child for the child tax credit on their tax return?

- a. Fiona, who is Married Filing Separately with a MAGI of \$202,000
- b. Ken, a Qualifying Surviving Spouse with a MAGI of \$30,000 and tax liability of \$490
- c. Nick, who is Single with a MAGI of \$70,000 and a tax liability of \$5,000
- d. Julie, who is Married Filing Jointly with a MAGI of \$422,000

Examples from Pub 4491



May and Bob file as Married Filing Jointly and have two children who qualify for the child tax credit. Their MAGI is \$56,000 and their tax liability is \$954. They can only claim \$954, reducing their tax to zero. As they could not claim the maximum child tax credit, May and Bob may also be eligible for the additional child tax credit.



Remember May and Bob who have two qualifying children, a MAGI of \$56,000, and a tax liability of \$954? Because their tax liability is less than the full amount of the credit (in their case \$4,000), they may be able to take the additional child tax credit of \$2,800 ($\$4,000 - \954 , but limited to \$1,500 per child).



Stan files as Head of Household and has three children who qualify for purposes of the child tax credit. Stan's MAGI is \$54,000 and his tax liability is \$4,680. Stan is eligible to take a child tax credit of up to \$4,680 to offset his tax liability. Stan cannot claim the full \$6,000 child tax credit because it is limited to his tax liability of \$4,680. Stan may also be eligible for the additional child tax credit.

Schedule 8812-Credits for Qualifying Children and Other Dependents

- Schedule 8812- <https://www.irs.gov/pub/irs-pdf/f1040s8.pdf>
- Instructions for Schedule 8812- <https://www.irs.gov/pub/irs-dft/i1040s8--dft.pdf>

Other resources

- <https://www.irs.gov/pub/irs-pdf/p4491.pdf>
- <https://linklearntaxescertification.com/>

Questions?