

Exemptions

Pub 4012 Tab C

Pub 4491, Part 2



NTTC Training – TY 2014

1

Caution!

- Exemptions and Filing Status encompass some of the most complex tax law issues
- Determining whether taxpayer has a “Qualifying Child” or a “Qualifying Relative” is of prime importance
- We’ll go over the rules first then show you an easy way to apply them



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2

Terms



- **Taxpayer**
 - Someone who has a filing requirement or files to claim refundable credit
 - Not a taxpayer if filing only to get refund of income tax withheld or estimated tax paid

Exemptions

- **Reduce taxable income**
- **Two Types**
 - Personal exemptions
 - Dependent exemptions
 - ✱ Qualifying child
 - ✱ Qualifying relative
 - \$3,950 each

Intake/Interview



Part I – Your Personal Information

1. Your first name	M.I.	Last name	Are you a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No
2. Your spouse's first name	M.I.	Last name	Is your spouse a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No
3.			
4.	11. Can anyone claim you or your spouse on their tax return? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unsure		
5.			
6. Your spouse's Date of Birth	7. Your spouse's job title	10. Last year, was your spouse: a. Fully and permanently disabled <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unsure b. Legally blind <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unsure	
11. Can anyone claim you or your spouse on their tax return? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unsure			
12. Have you or your spouse: a. Been a victim of identity theft? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unsure b. Adopted a child? <input type="checkbox"/> Yes <input type="checkbox"/> No			


Note...


Dependents cannot claim exemptions for dependents

i.e., taxpayers who can be claimed as a dependent on someone else's return cannot claim any exemptions for themselves or their own dependents

Personal Exemptions: Probe/Action

Pub 4012 – Page C-2

 Personal Exemptions interview tips Probe/Action: Ask the taxpayer:	
step 1	Were you considered married during any part of the tax year? (Answer YES if state common law rules were met.) If YES, go to Step 2. If NO, go to Step 7.
step 2	Were you still considered married on December 31 of the tax year? If YES, go to Step 5. If NO, go to Step 3. Note: Abandonment does not change marital status—answer YES if the taxpayer's responses to Steps 3 and 4 are NO.
step 3	Did you obtain a final decree of divorce or separate maintenance by December 31 of the tax year? If YES, you cannot claim a personal exemption for your former spouse. Go to Step 7 to determine if you can claim your own personal exemption. If NO, go to Step 4.
step 4	Did your spouse die during the tax year? ¹ If YES, go to Step 5. If NO, go back through Steps 1–3 and clarify answers.
step 5	Are you filing a joint tax return? ² If YES, go to Step 7. If NO, go to Step 6.

 TAX-AIDE NTTC Training – TY 2014 7

Personal Exemptions



- One for taxpayer and one for spouse when filing jointly
- Taxpayer or spouse is ineligible if another can claim him/her as a dependent

Personal Exemptions



- **Widow/er can file MFJ and claim two personal exemptions in year of spouse's death**
 - If not remarried by 12/31
 - If not divorced or legally separated on date of death
- **MFS can claim spouse – if no gross income and not dependent of another taxpayer**

Personal Exemptions

Questions?

Comments...

Dependent Exemptions



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11

Dependent Exemption



- **Person other than taxpayer or spouse who entitles taxpayer to exemption:**
 - **Qualifying child** (which also includes disabled adults)
 - OR
 - **Qualifying relative** (which also includes qualifying non-relatives)



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12

Intake and Interview



2. List the names below of:
 - everyone who lived with you last year (other than you or your spouse)
 - anyone you supported but did not live with you last year

If additional space is needed check here ☐ and list on page 4

Name (first, last) Do not enter your name or spouse's name below	Date of Birth (mm/dd/yy)	Relationship to you (for example: son, daughter, parent, none, etc)	Number of months lived in your home last year	U.S. Citizen (yes/no)	Resident of U.S., Canada, or Mexico last year (yes/no)	Single or Married as of 12/31/13 (S/M)	Full-time Student last year (yes/no)	Totally and Permanently Disabled (yes/no)	To be completed by a Certified Volunteer Preparer				
									Can this person be claimed by someone else as a dependent on their return? (yes/no)	Did this person provide more than 50% of their own support? (yes/no)	Did this person have more than \$3950 of income? (yes/no)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no)	Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)					

- Ask: is everyone who lived with you or whom you supported listed?
- As necessary, get answers to questions in grey boxes



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13

Dependency Exemption Rules

Turn to
 Pub 4012
 Page C-3



Overview of the Rules for Claiming an Exemption for a Dependent

Caution: This table is only an overview of the rules. For details, see Publication 17.

- You cannot claim any dependents if you, or your spouse if filing jointly, could be claimed as a dependent by another taxpayer.
- You cannot claim a married person who files a joint return as a dependent unless that joint return is filed only to claim a refund of withheld income tax or estimated tax paid..
- You cannot 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.¹
- You cannot claim a person as a dependent unless that person is your **qualifying child** or **qualifying relative**.

Tests To Be a Qualifying Child

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.
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

Tests To Be a Qualifying Relative

1. The person cannot be your qualifying child or the qualifying child of any other taxpayer. A child is not 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) is not 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 do not 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 \$3,950.³ Gross income means all income the person received in the form of money, goods,



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14

General Rules



Overview of the Rules for Claiming an Exemption for a Dependent

Caution: This table is only an overview of the rules. For details, see Publication 17.

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

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

You cannot 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.¹

You cannot claim a person as a dependent unless that person is your **qualifying child** or **qualifying relative**.

Tests To Be a Qualifying Child

1. The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, or stepsister.

2. The child must be under the age of 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

Tests To Be a Qualifying Relative

1. The person cannot be your qualifying child or the qualifying child of any other taxpayer. A child is

You cannot claim a person as a dependent unless that person is your **qualifying child or **qualifying relative**.**

Canada or Mexico.

one of the ways listed under *Relatives who do not 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 \$3,950.³ Gross income means all income the person received in the form of money, goods,



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15

Tests to be a Qualifying Child

Tests To Be a Qualifying Child

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.

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 is not filing a joint return for the year (unless that joint return is filed only as a claim for refund of income tax withheld or estimated tax paid).

Tests To Be a Qualifying Relative

1. The person cannot be your qualifying child or the qualifying child of any other taxpayer. A child is not 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) is not 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 do not 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 \$3,950.³ Gross income means all income the person received in the form of money, goods, property and services, that is not exempt from tax. Do not 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.⁵



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16

Terms

- **Permanently and totally disabled**
 - Person cannot engage in any substantial gainful activity because of a physical or mental condition -AND-
 - Doctor determines condition has lasted or can be expected to last continuously for at least a year or can lead to death



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17

Terms (cont)

- **Student**
 - A full-time student during some part of each of any five calendar months of the year
 - Full-time is the number of hours or courses the school considers to be full-time



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18

Terms (cont)

- **Student (cont)**

- **Attending a school that has a regular teaching staff, course of study and student body at the school**
- **Does NOT include on-the-job training course, correspondence school, or school offering courses only through the Internet**

Terms (cont)

- **Temporary absence**

- **Circumstances such as illness, education, business, vacation, or military service**
- **Must be reasonable to assume the absent person will return**
- **Must continue to keep up the home during the absence**

Tests to be a Qualifying Relative

Tests To Be a Qualifying Child	Tests To Be a Qualifying Relative
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.	1. The person cannot be your qualifying child or the qualifying child of any other taxpayer. A child is not 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) is not required to file an income tax return or files an income tax return only to get a refund of income tax withheld.
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.	2. The person either (a) must be related to you in one of the ways listed under <i>Relatives who do not have to live with you</i> (see Table 2, step 2), or (b) must live with you all year as a member of your household ² (and your relationship must not violate local law).
3. The child must have lived with you for more than half of the year. ²	3. The person's gross income for the year must be less than \$3,950. ³ Gross income means all income the person received in the form of money, goods, property and services, that is not exempt from tax. Do not 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. The child must not have provided more than half of his or her own support for the year. ⁵	4. You must provide more than half of the person's total support for the year. ⁵
5. The child is not filing a joint return for the year (unless that joint return is filed only as a claim for refund of income tax withheld or estimated tax paid).	

Tests to be a Qualifying Relative

● Not a qualifying child test

- Cannot be your qualifying child or the qualifying child of any other taxpayer

test

- See Pub 4012 Page C-6 for list
- 1) Be a member of your household all year or
- 2) Be related to you in one of the following ways:

- Person's gross income must be less than \$3,950 (includes all income except that which is tax-exempt, such as social security benefits)
- Taxpayer must provide more than 50% of the person's support

Exceptions for:

- Children of divorced or separated parents
- Multiple support agreement

law or sister-in-law

Special Attention

- Qualifying child of more than one taxpayer
- SSN, ITIN or ATIN is required for all
- Multiple support agreements (Form 2120)

QC of More Than One Taxpayer

Pub 4012 pg C-4

Pub 17 pg 234

Who can claim the child if two taxpayers have the same qualifying child?

1. If only one is a parent – the parent
2. If both are parents, the one with whom the child lived the greater number of nights
3. If both parents claim the child, the parent with higher Adjusted Gross Income (AGI)

QC of More Than One (cont)

Pub 4012 pg C-4

4. If a parent could claim the child but doesn't, the household (and family) member with the highest AGI
5. If neither are parents, the person with the highest AGI

Uniform Definition of a QC

Only one person can treat the child as a QC for all the following benefits (provided the person is eligible for each):

- Dependency exemption
- Head of household filing status
- Earned Income Credit
- Child Tax Credit
- Child/Dependent Care Credit
- Exclusion for Dependent Care Benefits

Child of Separated Parents

- **Limited situation**
 - Parents are divorced or legally separated or lived apart the last half of the year
 - Child was in custody of one or both parents more than ½ the year
 - At least ½ child's support was provided by one or both parents (or step-parents)

Child of Separated Parents

- **Agreement**
 - Pre-2009 divorce decree
 - Form 8332 or similar
- **Allows non-custodial parent to claim some benefits based on the child, while custodial parent retains other benefits**
- **Without an agreement, custodial parent claims the child**

Child of Separated Parents

- **Non-custodial parent can claim:**
 - Dependency exemption
 - Child tax credit
 - Education credits
 - Medical expenses that he or she paid

Child of Separated Parents

- **Custodial parent can claim:**
 - Head of household filing status
 - Dependent care credit
 - Earned income credit
 - Medical expenses that he or she paid

Terms (cont)

- **Custodial and noncustodial parent**
 - **Custodial parent is parent with whom the child lived for the greater number of nights during the year**
 - **If the child lived with each parent for an equal number of nights, the custodial parent is the parent with the higher adjusted gross income**

Problem #1

- **Richard, a widower for three years, and his two young sons lived with Richard's mother Mary for all of 2014**
- **Richard and Mary equally share the support of the two sons**
- **Richard's income was \$38,000 and Mary's income was \$35,000**
- **Can Richard "give" the dependency of his children to his mother?**

No – he has the higher AGI. [See Example on Page C-4](#)

Definition of Support

Generally, food, lodging, clothing, education, medical and dental care, recreation, transportation, and similar necessities

- Social Security benefits received in child's name are considered as paid by child
- Welfare considered paid by 3rd party (e.g., State) rather than by dependent (see note for Step 8 on C-5)



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33

Support

- *Worksheet for Determining Support – page C-9*
- If applicable, see Table 3 on rules for parents who are divorced or separated (or never married) – Form 8332 may be required



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34

Support

- **Note that support tests are different!**
 - For Qualifying Child, rule is that child DID NOT provide more than half of his or her own support
 - For Qualifying Relative, rule is that taxpayer DID provide more than half of that person's support

Multiple Support

Pub 17 – page 35



- **Multiple Support Declaration, Form 2120, required if:**
 - Several people together provide > 50% of support
 - Taxpayer provided at least 10% of support
- **Declaration states who may claim dependent exemption**

Problem #2

- John supports his wife's Uncle George who lives in another city and has \$3,600 of taxable income. John files MFJ.
- Can John claim George as a dependent if all other tests met?

Yes – passes relationship, income and support tests

Problem #2, Continued

- What if John is divorced?
- Would he still be able to claim his wife's Uncle George?

NO – his wife's uncle is not the "sibling of your parent"

Pub 17 – page 33

Problem #3

- John is also supporting his own cousin who earned \$3,560 and lives in another city.
- Can John claim him?

NO – Cousin is not a qualifying relation



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39

Problem #4

- Ralph is 64 and lives with his son and daughter-in-law all year
- Ralph earned \$3,960
- Can Ralph's son claim him as a dependent?

NO – Income over \$3,950



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40

Problem #5

- Ralph's son is also supporting his friend, Fred, who lives with them
- Fred's only income is social security of \$5,000
- Can Fred be claimed?

Yes – gross income test does not count income that is exempt from tax

Tax Law Summary

- A non-related person can be a dependent
- A non-dependent can qualify for EIC and Child Care Credit
- The resource materials are essential to the determine number of exemptions

Intake and Interview

Part IV – Expenses – Last Year, Did You (or Your Spouse) Pay

☐ ☐ ☐ 9. (B) Child or dependent care expenses such as daycare?



Dependents In TaxWise

Child Tax Credit – filled in by TaxWise

c Dependents/Nondependents

Check here to charge a flat fee for dependents instead of a fee per dependent ☐

Dependent Care (from Intake Sheet/Interview)

First name	Last name	of birth	Age	security number	to YOU	In d Hm e	d D I C	E I C	T C
			0						
			0						
			0						
			0						

EIC must be checked to bring up the applicable EIC forms.

What To Enter

Dropdown
boxes

- First name, last name (if different), date of birth, SSN, relationship, months in home and Dependent Code
- Box for Child Tax Credit (CTC) marked automatically by TaxWise
- Manually mark box for Dependent Care Credit (DC) and Earned Income Credit (EIC)

Dependents In TaxWise

- Dependents
 - Non-dependents
- } EIC, DC qualifiers
- If 5+, link from Form 1040, pg 1
 - Use CODE box for type of dependent:
 - 1 Your **qualifying** child who lives with you
 - 2 Your child who does not live with you
 - 3 All other dependents
 - 0 Non-dependents
- Code 0 example – there is no support test for EIC for a qualifying child, but there is to be claimed as a dependent*

Qualifying Child Tri-Fold

- AARP** TAX-AIDE NTTC Training – TY 2014 48

Read the Introductory Page

AARP Tax-Aide™ FOUNDATION **Qualifying Child and Qualifying Relative Flow Charts** 8/20/2013
(for Form 1040, 1040A and 1040EZ)

The following two charts can be used to determine who is your qualifying child and who is your qualifying relative for the following income tax purposes:

• Dependency exemption	• Head of household filing status
• Child tax credit	• Child and dependent care credit and exclusion
• Education credits	• Earned income tax credit
• Qualifying widow(er) filing status	• Medical expense deduction

Chart 1, the Qualifying Child chart, has two pages and is used for your child, your sibling, or a descendant of any of them. Chart 2, the Qualifying Relative chart, is for everyone else. **Always start with Chart 1, Box 1.** If Chart 1 does not apply, you will soon be sent to Chart 2.

If you follow the arrows, you will eventually get to a shaded box that has no arrows leading away from it. At that point, STOP. This box tells you **all** the tax benefits that you can claim based on that person.

You must meet other requirements as well. These charts will tell you if the child or person is a qualifying person for a particular tax benefit. Most benefits have other requirements as well. In addition to having a qualifying person, **you also must meet these other requirements** before you can claim any given benefit. The other requirements (not covered by the charts) are summarized at the bottom of this page.

When either chart says "TP" or "you," it is referring to you, the taxpayer. When it uses the words "child, person, him, her, his, or hers," it is referring to the child or other person who might qualify the taxpayer for tax benefits. The term "child" always includes an adopted child.

The term "education credits" refers to both education credits and to the tuition and fees adjustment.

If the taxpayer can file married filing jointly, ignore the references to head of household and qualifying widow(er) filing status.

The small red numbers within each box are simply to identify it for discussion purposes.

AARP TAX-AIDE FOUNDATION NTTC Training – TY 2014 49

Start with Qualifying Child Chart

- Use one taxpayer (or a taxpayer couple if filing MFJ) – referred to as “you”
- And one child or other person – referred to as “him” or “her”
- Use the child’s name when asking the questions

Use the Child's Name

- If the child's name is Joe, start at Box 1 and ask, "Was Joe a U.S. citizen or national or a resident of the U.S., Mexico or Canada for some part of the tax year?"



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51

Follow the arrows

- If the answer to the question in Box 1 is "yes," follow the yes arrow to Box 3.

Was the child a U.S. citizen, national or resident alien or a resident of Mexico or Canada during the tax year?	
Yes	↓ No
Is the child 1) someone you are adopting and 2) someone who lived with you all year as a member of your household "no" if you are not a U.S. citizen or national.]	
↓ Yes	
Was the child your son, daughter, stepchild, eligible foster child, brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant of any of them?	
Yes	No



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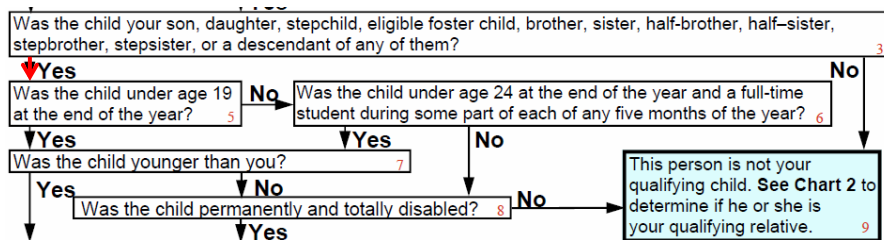
52

Box 3

- Ask, “Was Joe your son, daughter, stepchild, eligible foster child, brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant of any of them?”

Follow the arrows

- If the answer to the question in Box 3 is “yes,” follow the yes arrow to Box 5



- And ask the question in Box 5

Blue boxes

When you get to a blue box, STOP

- The blue box lists **ALL** the benefits for which this child qualifies the taxpayer
- Read the whole box. Important information is included in parentheses after most benefits

Repeat for Other Children

- If there is an additional child (or household or family member)
- *Whose situation is different,*
You may get to a different blue box

Start with the Middle Generation

- If the household has multiple generations, don't start with the grandchildren, start with the children
- You'll need to determine if they ARE dependents before you can determine if they HAVE dependents



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57

Start with Qualifying Child Chart

- Always start with the Qualifying Child Chart (Chart 1) – will be directed to Qualifying Relative Chart (Chart 2) if appropriate
- Easy to mistake child of a non-custodial parent as a qualifying relative – **always** start with the Qualifying Child Chart



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58

It looks very complicated, but...

- If child's situation is straight-forward, chart will take you straight down the left-hand side to Box 29
- Same questions you would answer from Page C-3 of the Resource Guide

1. Citizenship?
2. Relationship?
3. Age?
4. Younger than you?
5. Residency?
6. Child of more than one person?
7. Child filing MFJ?
8. Can you be claimed as a dependent?
9. Parent separated and filing separate returns?
10. Did the child provide more than ½ of his own support?

Then, person is qualifying person for all possible benefits

AARP Tax-Aide™ Chart 1: QUALIFYING CHILD (page 1) 8/17/2013

Was the child a U.S. citizen, national or resident alien or a resident of Mexico or Canada during the tax year?

Yes → Is the child (1) someone you are adopting and (2) someone who lived with you all year as a member of your household? (Answer "no" if you are not a U.S. citizen or national.)

Yes → Was the child your son, daughter, stepchild, eligible foster child, brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant of any of them?

Yes → Was the child under age 19 at the end of the year? **No** → Was the child under age 24 at the end of the year and a full-time student during some part of each of any five months of the year?

Yes → Was the child younger than you? **No** → This person is not your qualifying child nor your qualifying relative for any tax purpose. **Go to Page 2, Block A.**

Yes → Was the child permanently and totally disabled? **No** → This person is not your qualifying child. See Chart 2 to determine if he or she is your qualifying relative. **Go to Page 2, Block A.**

Yes → Except for temporary absences, did the child live with you for more than half the year? (See exceptions for both death or kidnapping.) **No** → **Go to Page 2, Block A.**

Yes → Is the child the qualifying child for any other taxpayer? (i.e. Except for temporary absences, did the child live with any other close relative (for example, parent, grandparent etc., aunt, uncle, older sibling) more than 1/2 the year?) **No** → **Go to Page 2, Block A.**

Yes → Would you win the tiebreaker? **No** → Did the person who would win the tiebreaker give you the right to claim the child as a qualifying child? (This is different than waiver of exemption.) **Yes** → **Go to Page 2, Block A.**

Yes → Did you give someone else in the household the right to claim the child as a qualifying child? **No** → Are you the noncustodial parent? Answer "no" if parents live together with the child. **Yes** → **Go to Page 2, Block A.**

Yes → Are you the parent, step-parent or foster parent? **No** → Is your AGI greater than the AGI of any parent who could claim the child? **Yes** → **Go to Page 2, Block C.**

Yes → Is the child filing a MFJ tax return? (Answer "no" if they are filing on their own or get a refund of withholding or estimated tax paid.) **Yes** → **Go to Page 2, Block B.**

Yes → Can YOU the TP (or your spouse if filing MFJ) be claimed as a dependent on anyone else's return? **No** → **Go to Page 2, Block B.**

Yes → Are the parents divorced, legally separated or lived apart at the end of the year? **No** → **Go to Page 2, Block B.**

Yes → Are they? **Yes** → Was the child in custody of one or both parents (or their new spouses) provide more than half the year? **Yes** → **Go to Page 2, Block B.**

Yes → Did one or both parents (or their new spouses) provide more than 1/2 of his support? **Yes** → **Go to Page 2, Block B.**

Yes → Did child provide more than 1/2 his own support? **No** → **Go to Page 2, Block B.**

Yes → This person is your qualifying child for:

- Head of household (if you paid more than 1/2 the cost of keeping up a home for the year and are not married).
- Earned income credit (if both TP and child have valid SSNs, and TP is not the qualifying child of another taxpayer).
- Child tax credit (if child is under age 17 and a citizen, national or resident of the U.S.).
- Medical expense deduction (if child under age 13 at time of care or incapable of self-care).

Yes → This person is your qualifying child for:

- Head of household (if you paid more than 1/2 the cost of keeping up a home for the year and are not married).
- Earned income credit (if both TP and child have valid SSNs, and TP is not the qualifying child of another taxpayer).
- Child and dependent care credit (if child is under age 13 at time of care or incapable of self-care).
- Medical expense deduction (if you are the parent).

person is your child, step-child or eligible foster child, and 2) you lived apart from your spouse the entire last half of the year.
2. You can claim qualifying widower if the person is your child or stepchild who lived with you all year except for temporary absences.

See other requirements on first page.

If situation is not straight-forward

- **Follow the arrows to arrive at correct answer**



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61

Problem #6

- **Child (John) is self-supporting (because he receives social security survivor benefits used for his support)**



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62

Start with John as QC of parents

Was the child a U.S. citizen, national or resident?
 Yes → No → **Ask: Was John a U.S. citizen or national?**
 Yes → **Ask: Was John your son, daughter, stepson, stepdaughter, or a descendant of any of them?**
 Yes → **Ask: Was John under age 19 at the end of the year?**
 Yes → **Ask: Was John younger than you?**
 Yes → **Ask: Except for temporary absences, did John live with you for more than half the year?**
 Yes → **Ask: Is John the qualifying child for any other taxpayer? [i.e. Did John live with any other close relative (for example, parent, grandparent etc., aunt, uncle, older sibling)] for more than ½ the year?**

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63

Continue with John as QC of parents

Would you win the tiebreaker?
 No → **Ask: Is John filing a MFJ tax return?**
 Yes → **Ask: Can you, the taxpayer, be claimed as a dependent on anyone else's return?**
 No → **Ask: Are John's parents divorced, legally separated or lived apart all last ½ of the year?**
 Yes → **Ask: Are they filing separate returns?**
 Yes → **Was the child in custody of one or both parents more than half the year?**
 Yes → **Did one or both parents (or their new spouses) provide more than 1/2 of his support?**
 Yes → **Does the noncustodial parent have the right to claim the child's exemption per Form 8332 or pre-2009 divorce decree? See Pub 17 if decree is pre-1985.**

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64

Continue with John as QC of parents

Did child provide more than 1/2 his own support? 28

No

This person is your qualifying child for:

- Head of household¹ or Qualifying Widow(er)² (for either, if you paid more than 1/2 the cost of keeping up a home for the year). See footnotes.
- Dependency exemption
- Child and dependent care credit (if child under age 13 at time of care or incapable of self-care)
- Education credits
- Earned income credit (if both TP and child have valid SSN's, and TP is not the qualifying child of another taxpayer)
- Child tax credit (if child is under age 17 and a citizen, national or resident of the U.S.)
- Medical expense deduction

Yes

This person is your qualifying child for:

- Earned Income Credit (if not married, both TP and child have valid SSN's, and TP is not the qualifying child of another taxpayer)

Ask: Did John provide more than 1/2 his own support?

This person is your qualifying child for:

- Head-of-household (if you paid more than 1/2 the cost of keeping up a home for the year and are not the qualifying child of another taxpayer)
- Medical expense deduction (if you are the parent)

1: If you are married you can claim head of household only if your spouse is treated as a nonresident alien for tax purposes OR 1) the person is your child, step-child or eligible foster child, and 2) you lived apart from your spouse the entire last half of the year.
2: You can claim qualifying widow(er) if the person is your child or stepchild who lived with you all year except for temporary absences.

John is your qualifying child for earned income credit IF

1. He is not married,
2. Both you and he have valid SSNs, and
3. You are not the qualifying child of another person.

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Continue with John as QC of parents

Did child provide more than 1/2 his own support? 28

No

This person is your qualifying child for:

- Head of household¹ or Qualifying Widow(er)² (for either, if you paid more than 1/2 the cost of keeping up a home for the year). See footnotes.
- Dependency exemption
- Child and dependent care credit (if child under age 13 at time of care or incapable of self-care)
- Education credits
- Earned income credit (if both TP and child have valid SSN's, and TP is not the qualifying child of another taxpayer)
- Child tax credit (if child is under age 17 and a citizen, national or resident of the U.S.)
- Medical expense deduction

Yes

This person is your qualifying child for:

- Earned Income Credit (if not married, both TP and child have valid SSN's, and TP is not the qualifying child of another taxpayer)

Include John in Dependents/ Nondependents section of Main Info Sheet with Code 0

This person is your qualifying child for:

- Head-of-household (if you paid more than 1/2 the cost of keeping up a home for the year and are not the qualifying child of another taxpayer)
- Child and dependent care credit (if child is under age 13 at time of care or incapable of self-care)
- Medical expense deduction (if you are the parent)

1: If you are married you can claim head of household only if your spouse is treated as a nonresident alien for tax purposes OR 1) the person is your child, step-child or eligible foster child, and 2) you lived apart from your spouse the entire last half of the year.
2: You can claim qualifying widow(er) if the person is your child or stepchild who lived with you all year except for temporary absences.

But note:

- No head of household
- No dependency exemption
- No child tax credit, etc.

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Enter John in Main Info

● Not a dependent, but yes for EIC

c Dependents/Nondependents

Check here to charge a flat fee for dependents instead of a fee per dependent ☐

First name	Lastname	Date of birth	Age	Social security number	Relationship to YOU	Mo in Hm	C o d e	E I C
JOHN			0		SON	12	0	<input checked="" type="checkbox"/>

1: Your Child who Lives with You
 2: Your Child who does NOT Live with you due to divorce or separation
 3: All Other Dependents
 0: Non-Dependents



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67

Problem #7

Taxpayer (Tom) pays child support and pays for medical insurance for his child (Billy), but his ex-wife won't sign Form 8332.



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68

Start with Billy as QC of Tom

Was the child a U.S. citizen, national or resident alien? **Yes** **No**

Is the child 1) someone you are adopting (answer "no" if you are not a U.S. citizen or national)? **Yes**

Was the child your son, daughter, stepchild, eligible foster child, or a descendant of any of them? **Yes**

Was the child under age 19 at the end of the year? **Yes** **No** Was the child a student during the year? **Yes**

Was the child younger than you? **Yes** **No**

Was the child permanently and totally disabled? **Yes**

Except for temporary absences, did the child live with you for more than half the year? (See exceptions for birth, death or kidnapping.) **No** **Go to Page 2 Block A**

Is the child the qualifying child for any other taxpayer? [i.e. Except for temporary absences, did the child live with any other close relative (for example, parent, grandparent etc., aunt, uncle, older sibling) more than 1/2 the year?] **12**

Ask: Was Billy your son, daughter, stepchild, eligible foster child,

Ask: Except for temporary absences, did Billy live with you for more than half the year? (see exceptions for birth, death or kidnapping.)



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69

Continue in Block A (Billy as QC of Tom)

BLOCK A: Are you the noncustodial parent? **No**

Were the parents divorced or legally separated or did not live together during the last 1/2 year? **Yes**

Does the child receive at least half his or her support from you or your spouse? **Yes**

Was the child in the custody of one or both of you or your spouse for more than half the year? **Yes**

Does your divorce decree or separation agreement require you to claim Billy for tax purposes? **Yes**

Can you claim Billy for tax purposes? **Yes**

Is Billy your qualifying child for:
• Medical expense deduction **42**

Do not include Billy in Dependents/ Nondependents section of Main Info Sheet, but do include his medical expenses on Sch A

Were the parents or legally separated or did not live together during the last 1/2 of the year?

Does Billy receive at least half his support from parents or their new spouses?

Can you claim Billy for tax purposes?

This person is your qualifying child for:
• Medical expense deduction **42**



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70

Billy

- No need to list in Main Info
- Can claim medical on Sch A Detail:

Other medical expenses	*	
MEDICAL EXPENSES - BILLY		

Problem #8

- Jennifer, age 25, is a full-time student who lived at home with her parents all year
- Jennifer made \$3,000 and her parents provided over half of her support
- Can Jennifer's parents claim her as a dependent?

Problem # 8 Answer

- Is Jennifer a Qualifying Child?
NO – she satisfies the residency and relationship tests, but not the age test
- If Jennifer is not a Qualifying Child, is she a Qualifying Relative?

Problem #8 Answer

- Is Jennifer a Qualifying Relative?
YES
 - She is their daughter
 - She earned less than \$3,950
 - Parents provided >50% support
 - Not the Qualifying Child of anyone
 - Can be claimed if all other tests met

Problem #9

- Stacy has a son, Ben, age 14, and they lived with Stacy's boyfriend, Bob (who is not Ben's father) all year
- Stacy earned \$7,000 and Bob earned \$50,000
- Can Bob claim Ben as a dependent?

Problem #9 – Answers

NO – if Stacy files a return

- Ben would be a Qualifying Child of Stacy

YES – if Stacy does not file a return OR files **ONLY** to get a refund of withholding

- Ben could be a Qualifying Relative Dependent of Stacy's boyfriend
- It might be more beneficial, however, for Stacy to file for EIC

Corrections

- **Laminated tri-fold contains some errors**
 - **From ShareNet, download document called “Qualifying Child or Relative Charts corrections and tape the corrections to your tri-fold,**
- OR**
- **Download and print a corrected paper copy.**

Multiple Uses of Dependent Info

- **Dependent**
- **Dependent Care**
- **Earned Income Credit**
- **Child Tax Credit**
- **Education Credit**
- **Medical Expenses**

Quality Review



- **Confirm everyone who lived with taxpayer or who was supported by taxpayer is listed on Intake Sheet**
 - **Determine if dependent or non-dependent for EIC, DC, or other benefits**

Exit Interview



- **May need to**
 - **Review who is or is not dependent and why**
 - **Explain benefits**

Summary

- **Pub 4012 Tab C**
 - If you have questions
 - Multiple support
 - Divorced or separated parents
 - Read table footnotes for exceptions
- **Dependency usually obvious – but not always!**

Exemptions

Questions?



There goes the last
dependent?

Comments...