



Who is a dependent?

By Kathleen Crawford, EA

This time of year many taxpayers are confused about adding dependents onto their tax returns. Having dependents on a tax return plays a major role in many tax deductions and credits and can reduce tax or even create additional refunds. There are specific rules about who can be a dependent for tax purposes. A few years ago, the IRS issued new definitions that tightened and equalized the rules for dependents throughout the tax return. For 2010 and beyond, there are just two types of dependents. The first is a “qualifying child” and is the magic key to many deductions and tax lowering credits. The second type of dependent is called “qualifying relative” although the person does not have to be related to you.

Both types of dependents must pass each of six tests to be considered a dependent. The first four tests are fairly simple by IRS standards. The last two are the major ones. The first test asks “Is the individual unmarried?”. The answer must be yes, except for certain situations. The second test asks “Is the individual a citizen?”. The answer must be yes. For tax purposes, the citizens of our NAFTA partners, Mexico and Canada, can answer yes to this question. The third test asks “Can the taxpayer be claimed as a dependent by someone else?”. The answer must be no because a taxpayer cannot claim a dependent if he himself is already a dependent.

If an individual passes these tests, then the question becomes which type of dependent she is classified as. To be a “qualifying child”, the individual must be the taxpayer’s natural or adopted child, grandchild, stepchild, sibling, or state placed foster child. This means that an unmarried man who is supporting his girlfriend’s son, can no longer claim her son as a qualifying child. In addition, the dependent must younger than the taxpayer and be under age 19 on 12/31 of the tax year or, if a full time student, under 24. Anyone who does not meet these definitions must be classified as a qualifying relative, even an older child.

- The fourth test concerns where the dependent lived. To be a qualifying child, the individual must have lived in the taxpayer’s household over half the year or 183 days. A person related to the taxpayer by blood or marriage, does not need to reside with the taxpayer to be a qualifying relative. An unrelated person must live in the taxpayer’s home all 365 days of the year to meet the test as a qualifying relative.
- The last two tests are the critical ones. The first is the income test. A qualifying child has no income test, so even a child with an million dollar internet business in her dorm room can pass this test. All other dependents can make no more than \$3650 during the tax year to pass this test.
- The last test is the support test. No individual can be claimed as a dependent unless the taxpayer has paid more than half of the support for the year. This is what can disqualify teenagers with good summer jobs, children getting social security, the internet tycoon college student, or a parent with a small pension, from being a dependent.

This article has outlined the basic rules. There are enough exceptions and special circumstances in the law to write a book. If you have questions, see a professional.

The Jacksonville Tax Lady, LLC can be reached at 541-899-7926 and is located in beautiful, historic Jacksonville at 610 N. Fifth Street across from the Pony Espresso.





Tax Tips You Can Use March 2011

Who is a dependent?

By Kathleen Crawford, EA

The fine print is that this article is for information only. Please call a Tax Professional for questions about your individual tax situation. The Jacksonville Tax Lady. Kathy or Angela can be reached at 541-899-7926 or at 610 North Fifth Street.

