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Internal Revenue Service

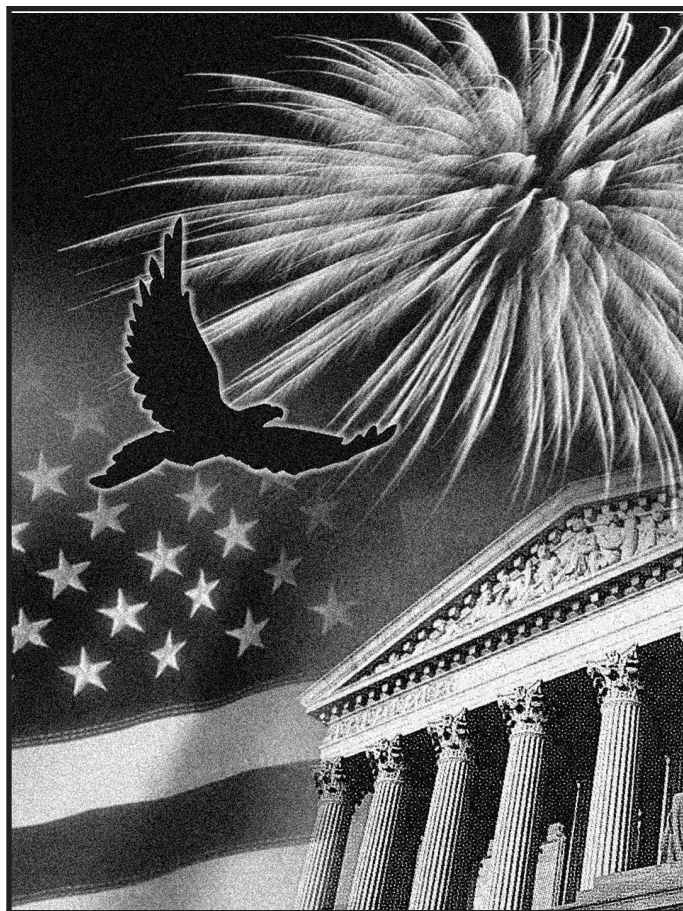
Publication 929

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Tax Rules for Children and Dependents

For use in preparing

2014 Returns



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Future Developments

For the latest information about developments related to Publication 929, such as legislation enacted after this publication was published, go to www.irs.gov/pub929.

Reminders

Social security number (SSN). Dependents who are required to file a tax return must have an SSN. To apply for an SSN, file Form SS-5 with the Social Security Administration. You can go to the website www.socialsecurity.gov for more information.

Individual taxpayer identification number (ITIN). The IRS will issue an ITIN to a nonresident or resident alien who does not have and is not eligible to get an SSN. To apply for an ITIN, file Form W-7, Application for IRS Individual Taxpayer Identification Number, with the IRS. It takes 6-10 weeks to get an ITIN. The ITIN is entered wherever an SSN is requested on a tax return. If you are a nonresident alien applying for an ITIN to file a tax return, you generally must attach your original, completed return to Form W-7 to get an ITIN. See the Form W-7 instructions for more information.

An ITIN is for tax use only. It does not entitle you to social security benefits or change your employment or

immigration status under U.S. law. An ITIN will expire if you do not use it on your tax return any year during a period of five consecutive years. The IRS will begin deactivating ITINs in 2016.

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Net Investment Income Tax. A child whose tax is figured on Form 8615 may be subject to the Net Investment Income Tax (NIIT). See the instructions for Form 8960 for more information.

Introduction

Part 1 of this publication explains the filing requirements and other tax information for individuals who can be claimed as a dependent on another person's tax return.

Part 2 explains how to report and figure the tax on unearned income of certain children (whether or not they can be claimed as dependents).

Definitions. Many of the terms used in this publication, such as "dependent," "earned income," and "unearned income," are defined in the *Glossary* at the back of this publication.

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Although we cannot respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

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Tax questions. If you have a tax question, check the information available on IRS.gov or call 1-800-829-1040.

We cannot answer tax questions sent to the above address.

Useful Items

You may want to see:

Publication

- ☐ **501** Exemptions, Standard Deduction, and Filing Information
- ☐ **505** Tax Withholding and Estimated Tax
- ☐ **550** Investment Income and Expenses

Form (and Instructions)

- ☐ **W-4** Employee's Withholding Allowance Certificate
- ☐ **8615** Tax for Certain Children Who Have Unearned Income
- ☐ **8814** Parents' Election To Report Child's Interest and Dividends

See [How To Get Tax Help](#) near the end of this publication for information about getting these publications and forms.

Part 1. Rules for All Dependents

Terms you may need to know (see Glossary):

Dependent
Earned income
Exemption
Gross income
Itemized deductions
Standard deduction
Unearned income

This part of the publication discusses the filing requirements for dependents, who is responsible for a child's return, how to figure a dependent's standard deduction and exemption (if any), and whether a dependent can claim exemption from federal income tax withholding.

Filing Requirements

Whether a dependent has to file a return generally depends on the amount of the dependent's earned and unearned income and whether the dependent is married, is age 65 or older, or is blind.



A dependent may have to file a return even if his or her income is less than the amount that would normally require a return. See [Other Filing Requirements](#), later.

The following sections apply to dependents with:

- Earned income only,
- Unearned income only, and
- Both earned and unearned income.

To find out whether a dependent must file, read the section that applies, or use Table 1.

Earned Income Only

A dependent whose gross income is only earned income must file a return if the gross income is more than the amount listed in the following table.

Marital Status	Amount
Single	
Under 65 and not blind	\$6,200
Either 65 or older or blind	\$7,750
65 or older and blind	\$9,300
Married*	
Under 65 and not blind	\$6,200
Either 65 or older or blind	\$7,400
65 or older and blind	\$8,600

*If a dependent's spouse itemizes deductions on a separate return, the dependent must file a return if the dependent has \$5 or more of gross income (earned and/or unearned).

Example. William is 16. His mother claims an exemption for him on her income tax return. He worked part time on weekends during the school year and full time during the summer. He earned \$7,000 in wages. He did not have any unearned income.

He must file a tax return because he has earned income only and his gross income is more than \$6,200. If he is blind, he does not have to file a return because his gross income is not more than \$7,750.

Unearned Income Only

A dependent whose gross income is only unearned income must file a return if the gross income is more than the amount listed in the following table.

Marital Status	Amount
Single	
Under 65 and not blind	\$1,000
Either 65 or older or blind	\$2,550
65 or older and blind	\$4,100
Married*	
Under 65 and not blind	\$1,000
Either 65 or older or blind	\$2,200
65 or older and blind	\$3,400

*If a dependent's spouse itemizes deductions on a separate return, the dependent must file a return if the dependent has \$5 or more of gross income (earned and/or unearned).

Example. Sarah is 18 and single. Her parents can claim an exemption for her on their income tax return. She received \$1,970 of taxable interest and dividend income. She did not work during the year.

She must file a tax return because she has unearned income only and her gross income is more than \$1,000. If she is blind, she does not have to file a return because she has unearned income only and her gross income is not more than \$2,550.

Election to report child's unearned income on parent's return. A parent of a child under age 19 (or under age 24 if a full-time student) may be able to elect to include the child's interest and dividend income on the parent's return. See [Parent's Election To Report Child's Interest and Dividends](#) in Part 2. If the parent makes this election, the child does not have to file a return.

Both Earned and Unearned Income



A dependent who has both earned and unearned income generally must file a return if the dependent's gross income is more than line 5 of the following worksheet.

Filing Requirement Worksheet for Most Dependents

1. Enter dependent's earned income plus \$350
2. Minimum amount \$1,000
3. Compare lines 1 and 2. Enter the **larger** amount
4. Maximum amount 6,200
5. Compare lines 3 and 4. Enter the **smaller** amount
6. Enter the dependent's gross income. If line 6 is more than line 5, the dependent **must file** an income tax return. If the dependent is married and his or her spouse itemizes deductions on a separate return, the dependent must file an income tax return if line 6 is \$5 or more.

Example 1. Joe is 20, single, not blind, and a full-time college student. He does not provide more than half of his own support, and his parents claim an exemption for him on their income tax return. He received \$200 taxable interest income and earned \$2,750 from a part-time job.

He does not have to file a tax return because his gross income of \$2,950 (\$200 interest plus \$2,750 in wages) is not more than \$3,100, the amount on line 5 of his filled-in (Example 1) Filing Requirement Worksheet for Most Dependents).

Table 1. 2014 Filing Requirements for Dependents

If your parent (or someone else) can claim you as a dependent, use this table to see if you must file a return.

See the definitions of “dependent,” “earned income,” “unearned income,” and “gross income” in the *Glossary*.

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 \$1,000.
- Your earned income was over \$6,200.
- Your gross income was more than the **larger** of—
 - \$1,000, or
 - Your earned income (up to \$5,850) plus \$350.

☐ **Yes.** You must file a return if any of the following apply.

- Your unearned income was over \$2,550 (\$4,100 if 65 or older **and** blind),
- Your earned income was over \$7,750 (\$9,300 if 65 or older **and** blind),
- Your gross income was more than the **larger** of—
 - \$2,550 (\$4,100 if 65 or older **and** blind), or
 - Your earned income (up to \$5,850) plus \$1,900 (\$3,450 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 gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
- Your unearned income was over \$1,000.
- Your earned income was over \$6,200.
- Your gross income was more than the **larger** of—
 - \$1,000, or
 - Your earned income (up to \$5,850) plus \$350.

☐ **Yes.** You must file a return if any of the following apply.

- Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
- Your unearned income was over \$2,200 (\$3,400 if 65 or older **and** blind),
- Your earned income was over \$7,400 (\$8,600 if 65 or older **and** blind),
- Your gross income was more than the **larger** of—
 - \$2,200 (\$3,400 if 65 or older **and** blind), or
 - Your earned income (up to \$5,850) plus \$1,550 (\$2,750 if 65 or older **and** blind).

Filled-in Example 1 Filing Requirement Worksheet for Most Dependents

1. Enter dependent's earned income plus \$350	\$ 3,100
2. Minimum amount	1,000
3. Compare lines 1 and 2. Enter the larger amount	3,100
4. Maximum amount	6,200
5. Compare lines 3 and 4. Enter the smaller amount	3,100
6. Enter the dependent's gross income. If line 6 is more than line 5, the dependent must file an income tax return. If the dependent is married and his or her spouse itemizes deductions on a separate return, the dependent must file an income tax return if line 6 is \$5 or more.	\$ 2,950

Example 2. The facts are the same as in *Example 1* except that Joe had \$600 taxable interest income.

He must file a tax return because his gross income of \$3,350 (\$600 interest plus \$2,750 wages) is more than \$3,100, the amount on line 5 of his filled-in (Example 2) worksheet.

Filled-in Example 2
Filing Requirement Worksheet
for Most Dependents

1. Enter dependent's earned income plus \$350	\$ 3,100
2. Minimum amount	1,000
3. Compare lines 1 and 2. Enter the larger amount	3,100
4. Maximum amount	6,200
5. Compare lines 3 and 4. Enter the smaller amount	3,100
6. Enter the dependent's gross income. If line 6 is more than line 5, the dependent must file an income tax return. If the dependent is married and his or her spouse itemizes deductions on a separate return, the dependent must file an income tax return if line 6 is \$5 or more.	\$ 3,350



Age 65 or older or blind. A dependent who is age 65 or older or blind must file a return if his or her gross income is more than line 7 of the following worksheet.

Filing Requirement Worksheet
for Dependents
Who Are Age 65 or Older or Blind

1. Enter dependent's earned income plus \$350	
2. Minimum amount	\$1,000
3. Compare lines 1 and 2. Enter the larger amount	
4. Maximum amount	6,200
5. Compare lines 3 and 4. Enter the smaller amount	
6. Enter the amount from the following table that applies to the dependent	

Marital Status	Amount
Single	
Either 65 or older or blind	\$1,550
65 or older and blind	\$3,100
Married	
Either 65 or older or blind	\$1,200
65 or older and blind	\$2,400

7. Add lines 5 and 6. Enter the total	
8. Enter the dependent's gross income. If line 8 is more than line 7, the dependent must file an income tax return. If the dependent is married and his or her spouse itemizes deductions on a separate return, the dependent must file an income tax return if line 8 is \$5 or more	

Example 3. The facts are the same as in *Example 2* except that Joe is also blind. He does not have to file a return because his gross income of \$3,350 is not more than \$4,650, the amount on line 7 of his filled-in (Example 3) Filing Requirement Worksheet for Dependents Who Are Age 65 or Older or Blind (shown next).

Filled-in Example 3
Filing Requirement Worksheet
for Dependents
Who Are Age 65 or Older or Blind

1. Enter dependent's earned income plus \$350	\$3,100
2. Minimum amount	1,000
3. Compare lines 1 and 2. Enter the larger amount	3,100
4. Maximum amount	6,200
5. Compare lines 3 and 4. Enter the smaller amount	3,100
6. Enter the amount from the following table that applies to the dependent	1,550

Marital Status	Amount
Single	
Either 65 or older or blind	\$1,550
65 or older and blind	\$3,100
Married	
Either 65 or older or blind	\$1,200
65 or older and blind	\$2,400

7. Add lines 5 and 6. Enter the total	4,650
8. Enter the dependent's gross income. If line 8 is more than line 7, the dependent must file an income tax return. If the dependent is married and his or her spouse itemizes deductions on a separate return, the dependent must file an income tax return if line 8 is \$5 or more	\$3,350

Other Filing Requirements

Some dependents may have to file a tax return even if their income is less than the amount that would normally require them to file a return.

A dependent must file a tax return if he or she owes any other taxes, such as:

- Social security and Medicare taxes on tips not reported to his or her employer or on wages received from an employer who did not withhold these taxes,
- Uncollected social security and Medicare or railroad retirement taxes on tips reported to his or her employer or on group-term life insurance,
- Alternative minimum tax,
- Additional tax on a health savings account from Form 8889, Part III,
- Recapture taxes, such as the tax from recapture of an education credit, or
- Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if the dependent is filing a return only because of this tax, the dependent can file Form 5329 by itself.

A dependent must also file a tax return if he or she:

- Had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes, or

- Had net earnings from self-employment of at least \$400.

Spouse itemizes. A dependent must file a return if the dependent's spouse itemizes deductions on a separate return and the dependent has \$5 or more of gross income (earned and/or unearned).

Should a Return Be Filed Even If Not Required?

Even if a dependent does not meet any of the filing requirements discussed earlier, he or she should file a tax return if either of the following applies.

- Income tax was withheld from his or her income.
- He or she qualifies for the earned income credit, additional child tax credit, or refundable American opportunity education credit. See the tax return instructions to find out who qualifies for these credits.

By filing a return, the dependent can get a refund.

Responsibility for Child's Return

Generally, a child is responsible for filing his or her own tax return and for paying any tax, penalties, or interest on that return. If a child cannot file his or her own return for any reason, such as age, the child's parent, guardian, or other legally responsible person must file it for the child.

Signing the child's return. If the child cannot sign his or her return, a parent or guardian must sign the child's name followed by the words "By (signature), parent (or guardian) for minor child."

Authority of parent or guardian. A parent or guardian who signs a return on a child's behalf can deal with the IRS on all matters connected with the return.

In general, a parent or guardian who does not sign the child's return can only provide information concerning the child's return and pay the child's tax. That parent or guardian is not entitled to receive information from the IRS or legally bind the child to a tax liability arising from the return.

Third party designee. A child's parent or guardian who does not sign the child's return may be authorized, as a third party designee, to discuss the processing of the return with the IRS as well as provide information concerning the return. The child or the person signing the return on the child's behalf must check the "Yes" box in the "Third Party Designee" area of the return and name the parent or guardian as the designee.

If designated, a parent or guardian can respond to certain IRS notices and receive information about the processing of the return and the status of a refund or payment. This designation does not authorize the parent or

guardian to receive any refund check, bind the child to any tax liability, or otherwise represent the child before the IRS. See the return instructions for more information.

Designated as representative. A parent or guardian who does not sign the child's return may be designated as the child's representative by the child or the person signing the return on the child's behalf. Form 2848, Power of Attorney and Declaration of Representative, is used to designate a child's representative. See Publication 947, Practice Before the IRS and Power of Attorney, for more information.

If designated, a parent or guardian can receive information about the child's return but cannot legally bind the child to a tax liability unless authorized to do so by the law of the state in which the child lives.

IRS notice. If you or the child receives a notice from the IRS concerning the child's return or tax liability, you should immediately inform the IRS that the notice concerns a child. The notice will show who to contact. The IRS will try to resolve the matter with the parent(s) or guardian(s) of the child consistent with their authority.

Child's earnings. For federal income tax purposes, amounts a child earns by performing services are included in the gross income of the child and not the gross income of the parent. This is true even if, under state law, the parent has the right to the earnings and may actually have received them.

If the child does not pay the tax due on this income, the parent may be liable for the tax.

Child's expenses. Deductions for payments that are made out of a child's earnings are the child's, even if the payments are made by the parent.

Example. You made payments on your child's behalf that are deductible as a business expense and a charitable contribution. You made the payments out of your child's earnings. These items can be deducted only on the child's return.

Standard Deduction

The standard deduction for an individual who can be claimed as a dependent on another person's tax return is generally limited to the larger of:

1. \$1,000, or
2. The individual's earned income plus \$350, but not more than the regular standard deduction (generally \$6,200).

However, the standard deduction may be higher for a dependent who:

- Is 65 or older, or
- Is blind.

Worksheet 1. Standard Deduction Worksheet for Dependents

Keep for Your Records



Use this worksheet only if someone else can claim you (or your spouse, if filing jointly) as a dependent.	
If you were 65 or older and/or blind, check the correct number of boxes below. Put the total number of boxes checked in box c and go to line 1.	
a. You	65 or older ☐ Blind ☐
b. Your spouse, if claiming spouse's exemption	65 or older ☐ Blind ☐
c. Total boxes checked	☐
1. Enter your earned income * plus \$350. If none, enter -0-.	1. _____
2. Minimum amount.	2. <u>\$1,000</u>
3. Compare lines 1 and 2. Enter the larger of the two amounts here.	3. _____
4. Enter on line 4 the amount shown below for your filing status. • Single or Married filing separately—\$6,200 • Married filing jointly—\$12,400 • Head of household—\$9,100	4. _____
5. Standard deduction. a. Compare lines 3 and 4. Enter the smaller amount here. If under 65 and not blind, stop here. This is your standard deduction. Otherwise, go on to line 5b. b. If 65 or older or blind, multiply \$1,550 (\$1,200 if married) by the number in box c above. Enter the result here. c. Add lines 5a and 5b. This is your standard deduction for 2014.	5a. _____ 5b. _____ 5c. _____
Earned income * includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in income.	

Certain dependents cannot claim any standard deduction. See [Standard Deduction of Zero](#), later.

Worksheet 1. Use Worksheet 1 to figure the dependent's standard deduction.

Example 1. Michael is single, age 15, and not blind. His parents can claim him as a dependent on their tax return. He has taxable interest income of \$800 and wages of \$150. He enters \$500 (his earned income plus \$350) on line 1 of Worksheet 1. On line 3, he enters \$1,000, the larger of \$500 or \$1,000. Michael enters \$6,200 on line 4. On line 5a, he enters \$1,000, the smaller of \$1,000 or \$6,200. His standard deduction is \$1,000.

Example 2. Judy, a full-time student, is single, age 22, and not blind. Her parents can claim her as a dependent on their tax return. She has dividend income of \$275 and wages of \$2,500. She enters \$2,850 (her earned income plus \$350) on line 1 of Worksheet 1. On line 3, she enters \$2,850, the larger of \$2,850 or \$1,000. She enters \$6,200 on line 4. On line 5a, she enters \$2,850 (the smaller of \$2,850 or \$6,200) as her standard deduction.

Example 3. Amy, who is single, is claimed as a dependent on her parents' tax return. She is 18 years old and blind. She has taxable interest income of \$1,000 and wages of \$2,000. She enters \$2,350 (her earned income

plus \$350) on line 1 of Worksheet 1. She enters \$2,350 (the larger of \$2,350 or \$1,000) on line 3, \$6,200 on line 4, and \$2,350 (the smaller of \$2,350 or \$6,200) on line 5a. Because Amy is blind, she checks the box for blindness and enters "1" in box c at the top of Worksheet 1. She enters \$1,550 (the number in box c times \$1,550) on line 5b. Her standard deduction on line 5c is \$3,900 (\$2,350 + \$1,550).

Standard Deduction of Zero

The standard deduction for the following dependents is zero.

- A married dependent filing a separate return whose spouse itemizes deductions.
- A dependent who files a return for a period of less than 12 months due to a change in his or her annual accounting period.
- A nonresident or dual-status alien dependent, unless the dependent is married to a U.S. citizen or resident alien at the end of the year and chooses to be treated as a U.S. resident for the year. See Publication 519, U.S. Tax Guide for Aliens, for information on making this choice.

Example. Jennifer, who is a dependent of her parents, is entitled to file a joint return with her husband. However, her husband elects to file a separate return and itemize his deductions. Because he itemizes, Jennifer's standard deduction on her return is zero. She can, however, itemize any of her allowable deductions.

Dependent's Own Exemption

A person who can be claimed as a dependent on another taxpayer's return cannot claim his or her own exemption. This is true even if the other taxpayer does not actually claim the exemption.

Example. James and Barbara can claim their child, Ben, as a dependent on their return. Ben is a college student who works during the summer and must file a tax return. Ben cannot claim his own exemption on his return. This is true even if James and Barbara do not claim him as a dependent on their return.

Withholding From Wages

Employers generally withhold federal income tax, social security tax, and Medicare tax from an employee's wages. If the employee claims exemption from withholding on Form W-4, the employer will not withhold federal income tax. The exemption from withholding does not apply to social security and Medicare taxes.

Conditions for exemption from withholding. An employee can claim exemption from withholding for 2015 only if he or she meets both of the following conditions.

1. For 2014, the employee had a right to a refund of all federal income tax withheld because he or she had no tax liability.
2. For 2015, the employee expects a refund of all federal income tax withheld because he or she expects to have no tax liability.

Dependents. An employee who is a dependent ordinarily cannot claim exemption from withholding if both of the following are true.

- The employee's gross income will be more than \$1,050, the minimum standard deduction for 2015.
- The employee's unearned income will be more than \$350.

Exceptions. An employee may be able to claim exemption from withholding even if the employee is a dependent, if the employee:

1. Is age 65 or older,
2. Is blind, or
3. Will claim on his or her 2015 tax return:
 - a. Adjustments to income,

- b. Tax credits, or
- c. Itemized deductions.

The above exceptions do not apply to supplemental wages greater than \$1,000,000. For more information, see *Exemption From Withholding* in chapter 1 of Publication 505.

Example. Guy is 17 and a student. During the summer he works part time at a grocery store. He expects to earn about \$1,200 this year. He also worked at the store last summer and received a refund of all his withheld income tax because he did not have a tax liability. The only other income he expects during the year is \$375 interest on a savings account. He expects that his parents will be able to claim him as a dependent on their tax return. He is not blind and will not claim adjustments to income, itemized deductions, a higher standard deduction, or tax credits on his return.

Guy cannot claim exemption from withholding when he fills out Form W-4 because his parents will be able to claim him as a dependent, his gross income will be more than \$1,050 (the 2015 minimum standard deduction amount) and his unearned income will be more than \$350.

Claiming exemption from withholding. To claim exemption from withholding, an employee must enter "Exempt" in the space provided on Form W-4, line 7. The employee must complete the rest of the form, as explained in the form instructions, and give it to his or her employer.

Renewing an exemption from withholding. An exemption from withholding is good for only one year. An employee must file a new Form W-4 by February 15 each year to continue the exemption.

Part 2. Tax on Unearned Income of Certain Children

Terms you may need to know (see Glossary):

Adjusted gross income
Adjustments to income
Alternative minimum tax
Capital gain distribution
Dependent
Earned income
Full-time student
Gross income
Itemized deductions
Net capital gain
Net unearned income
Qualified dividends

Standard deduction
Support
Tax year
Taxable income
Unearned income
Unrecaptured section 1250 gain
28% rate gain

The two rules that follow may affect the tax on the unearned income of certain children.

1. If the child's interest and dividend income (including capital gain distributions) total less than \$10,000, the child's parent may be able to choose to include that income on the parent's return rather than file a return for the child. (See [Parent's Election To Report Child's Interest and Dividends](#), later.)
2. If the child's interest, dividends, and other unearned income total more than \$2,000, part of that income may be taxed at the parent's tax rate instead of the child's tax rate. (See [Tax for Certain Children Who Have Unearned Income](#), later.)

For these rules, the term "child" includes a legally adopted child and a stepchild. These rules apply whether or not the child is a dependent.

These rules do not apply if neither of the child's parents were living at the end of the year.

Which Parent's Return To Use

If a child's parents are married to each other and file a joint return, use the joint return to figure the tax on the child's unearned income. The tax rate and other return information from that return are used to figure the child's tax as explained later under [Tax for Certain Children Who Have Unearned Income](#).

Parents Who Do Not File a Joint Return

For parents who do not file a joint return, the following discussions explain which parent's tax return must be used to figure the tax.

Only the parent whose tax return is used can make the election described under [Parent's Election To Report Child's Interest and Dividends](#).

Parents are married. If the child's parents file separate returns, use the return of the parent with the greater taxable income.

Parents not living together. If the child's parents are married to each other but not living together, and the parent with whom the child lives (the custodial parent) is considered unmarried, use the return of the custodial parent. If the custodial parent is not considered unmarried, use the return of the parent with the greater taxable income.

For an explanation of when a married person living apart from his or her spouse is considered unmarried, see *Head of Household* in Publication 501.

Parents are divorced. If the child's parents are divorced or legally separated, and the parent who had custody of the child for the greater part of the year (the custodial parent) has not remarried, use the return of the custodial parent.

Custodial parent remarried. If the custodial parent has remarried, the stepparent (rather than the noncustodial parent) is treated as the child's other parent. Therefore, if the custodial parent and the stepparent file a joint return, use that joint return. Do not use the return of the noncustodial parent.

If the custodial parent and the stepparent are married, but file separate returns, use the return of the one with the greater taxable income. If the custodial parent and the stepparent are married but not living together, the earlier discussion under [Parents not living together](#) applies.

Parents never married. If a child's parents have never been married to each other, but lived together all year, use the return of the parent with the greater taxable income. If the parents did not live together all year, the rules explained earlier under [Parents are divorced](#) apply.

Widowed parent remarried. If a widow or widower remarries, the new spouse is treated as the child's other parent. The rules explained earlier under [Custodial parent remarried](#) apply.

Parent's Election To Report Child's Interest and Dividends

You may be able to elect to include your child's interest and dividend income (including capital gain distributions) on your tax return. If you do, your child will not have to file a return.

You can make this election only if all the following conditions are met.

- Your child was under age 19 (or under age 24 if a full-time student) at the end of the year.
- Your child had income only from interest and dividends (including capital gain distributions and Alaska Permanent Fund dividends).
- The child's gross income was less than \$10,000.
- The child is required to file a return unless you make this election.
- The child does not file a joint return for the year.
- No estimated tax payment was made for the year, and no overpayment from the previous year (or from any amended return) was applied to this year under your child's name and social security number.

- No federal income tax was withheld from your child's income under the backup withholding rules.
- You are the parent whose return must be used when applying the special tax rules for children. (See [Which Parent's Return To Use](#), earlier.)

These conditions are also shown in Figure 1.

Certain January 1 birthdays. A child born on January 1, 1996, is considered to be age 19 at the end of 2014. You cannot make this election for such a child unless the child was a full-time student.

A child born on January 1, 1991, is considered to be age 24 at the end of 2014. You cannot make this election for such a child.

How to make the election. Make the election by attaching Form 8814 to your Form 1040 or Form 1040NR. (If you make this election, you cannot file Form 1040A or Form 1040EZ.) Attach a separate Form 8814 for each child for whom you make the election. You can make the election for one or more children and not for others.

Effect of Making the Election

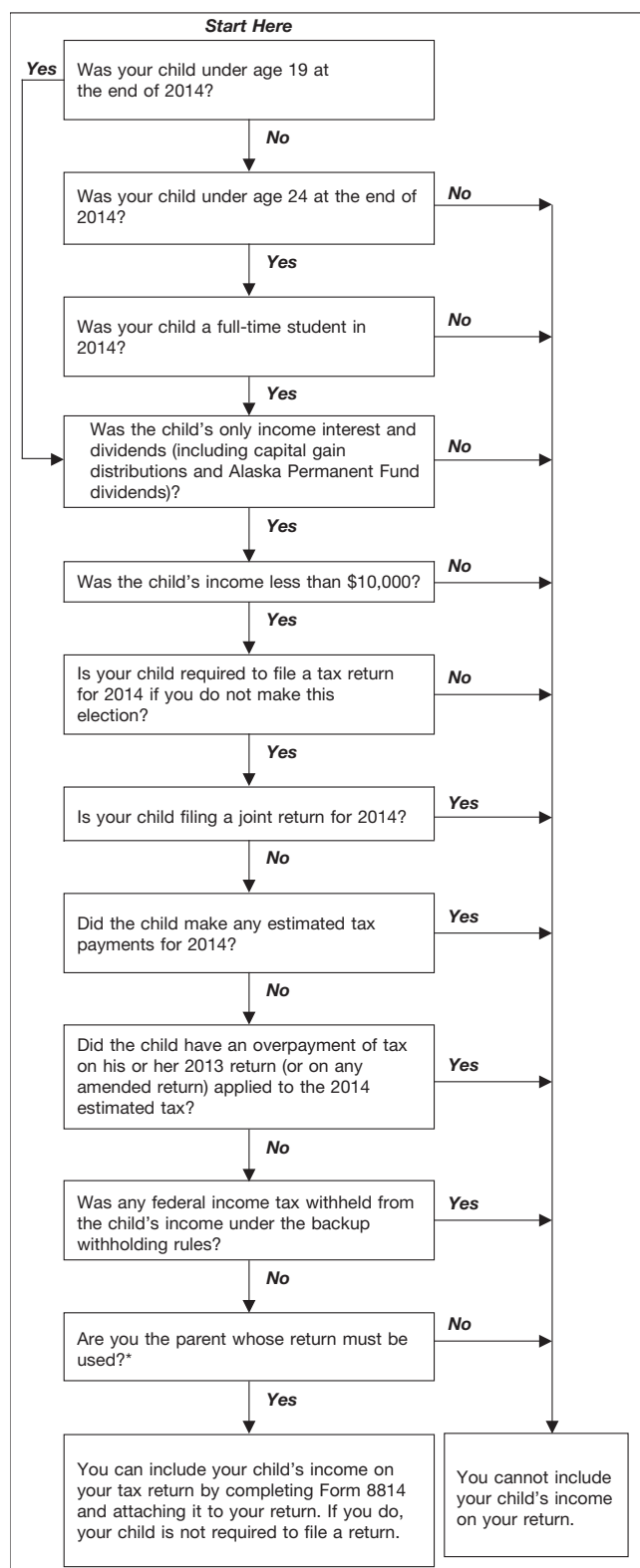
The federal income tax on your child's income may be more if you make the Form 8814 election.

Rate may be higher. If your child received qualified dividends or capital gain distributions, you may pay up to \$100 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 \$1,000 and \$2,000 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.

Deductions you cannot take. By making the Form 8814 election, you cannot take any of the following deductions that the child would be entitled to on his or her return.

- The additional standard deduction if the child is blind.
- The deduction for a penalty on an early withdrawal of your child's savings.
- Itemized deductions (such as your child's investment expenses or charitable contributions).

Figure 1. Can You Include Your Child's Income On Your Tax Return?



*See [Which Parent's Return To Use](#)

Deductible investment interest. If you use Form 8814, your child's unearned income is considered your unearned income. To figure the limit on your deductible investment interest, add the child's unearned income to yours. However, if your child received qualified dividends,

capital gain distributions, or Alaska Permanent Fund dividends, see chapter 3 of Publication 550 for information about how to figure the limit.

Alternative minimum tax. If your child received tax-exempt interest (or exempt-interest dividends paid by a regulated investment company) from certain private activity bonds, you must determine if that interest is a tax preference item for alternative minimum tax (AMT) purposes. If it is, you must include it with your own tax preference items when figuring your AMT. See Form 6251, *Alternative Minimum Tax—Individuals*, and its instructions for details.

Net Investment Income Tax. When figuring any Net Investment Income Tax liability on Form 8960, the amount on line 12 of Form 8814 (other than Alaska Permanent Fund dividends) will increase the amount of your net investment income reported on Form 8960. See the Form 8960 instructions for more information.

Reduced deductions or credits. If you use Form 8814, your increased adjusted gross income may reduce certain deductions or credits on your return, including the following.

- Deduction for contributions to a traditional individual retirement arrangement (IRA).
- Deduction for student loan interest.
- Itemized deductions for medical expenses, casualty and theft losses, and certain miscellaneous expenses.
- Credit for child and dependent care expenses.
- Child tax credit.
- Education tax credits.
- Earned income credit.

Penalty for underpayment of estimated tax. If you make this election for 2014 and did not have enough tax withheld or pay enough estimated tax to cover the tax you owe, you may be subject to a penalty. If you plan to make this election for 2015, you may need to increase your federal income tax withholding or your estimated tax payments to avoid the penalty. Get Publication 505 for more information.

Figuring Child's Income

Use Form 8814, Part I, to figure your child's interest and dividend income to report on your return. Only the amount over \$2,000 is added to your income. The amount over \$2,000 is shown on Form 8814, line 6. Unless the child's income includes qualified dividends or capital gain distributions (discussed next), the same amount is shown on Form 8814, line 12. Include the amount from Form 8814, line 12, on Form 1040 or Form 1040NR, line 21. If you file more than one Form 8814, include the total amounts from line 12 of all your Forms 8814 on Form 1040 or Form 1040NR, line 21. On the dotted line next to line 21, enter

"Form 8814" and the total of the Form 8814, line 12 amounts.

Note. The tax on the first \$2,000 is figured on Form 8814, Part II. See [Figuring Additional Tax](#), later.

Qualified dividends. Enter on Form 8814, line 2a, any ordinary dividends your child received. This amount may include qualified dividends. Qualified dividends are those dividends reported on Form 1040, line 9b, or Form 1040NR, line 10b, and are eligible for lower tax rates that apply to a net capital gain. For detailed information about qualified dividends, see Publication 550.

If your child received qualified dividends, the amount of these dividends that is added to your income must be reported on Form 1040, lines 9a and 9b, or Form 1040NR, lines 10a and 10b. You do not include these dividends on Form 8814, line 12, or on line 21 of Form 1040 or Form 1040NR.

Enter the child's qualified dividends on Form 8814, line 2b. But do not include this amount on Form 1040, lines 9a and 9b, or Form 1040NR, lines 10a and 10b. Instead, include the amount from Form 8814, line 9, on Form 1040, lines 9a and 9b, or Form 1040NR, lines 10a and 10b. (The amount on Form 8814, line 9, may be less than the amount on Form 8814, line 2b, because lines 7 through 12 of the form divide the \$2,000 base amount on Form 8814, line 5, between the child's qualified dividends, capital gain distributions, and other interest and dividend income, reducing each of those amounts.)

Capital gain distributions. Enter on Form 8814, line 3, any capital gain distributions your child received. The amount of these distributions that is added to your income must be reported on Schedule D (Form 1040), line 13, or, if you are not required to file Schedule D, on Form 1040, line 13, or Form 1040NR, line 14. You do not include it on Form 8814, line 12, or on line 21 of Form 1040 or Form 1040NR.

Include the amount from Form 8814, line 10, on Schedule D, line 13; Form 1040, line 13; or Form 1040NR, line 14, whichever applies. (The amount on Form 8814, line 10, may be less than the amount on Form 8814, line 3, because lines 7 through 12 of the form divide the \$2,000 base amount on Form 8814, line 5, between the child's qualified dividends, capital gain distributions, and other interest and dividend income, reducing each of those amounts.)

Collectibles (28% rate) gain. If any of the child's capital gain distributions are reported on Form 1099-DIV as collectibles (28% rate) gain, you must determine how much to also include on line 4 of the 28% Rate Gain Worksheet, in the instructions for Schedule D, line 18. Multiply the child's capital gain distribution included on Schedule D, line 13, by a fraction. The numerator is the part of the child's total capital gain distribution that is collectibles (28% rate) gain. The denominator is the child's total capital gain distribution. Enter the result on line 4 of the 28% Rate Gain Worksheet.

Unrecaptured section 1250 gain. If any of the child's capital gain distributions are reported on Form 1099-DIV

as unrecaptured section 1250 gain, you must determine how much to include on line 11 of the Unrecaptured Section 1250 Gain Worksheet in the instructions for Schedule D, line 19. Multiply the child's capital gain distribution included on Schedule D, line 13, by a fraction. The numerator is the part of the child's total capital gain distribution that is unrecaptured section 1250 gain. The denominator is the child's total capital gain distribution. Enter the result on the Unrecaptured Section 1250 Gain Worksheet, line 11.

Section 1202 gain. If any of the child's capital gain distributions are reported as section 1202 gain (gain on qualified small business stock) on Form 1099-DIV, part or all of that gain may be eligible for the section 1202 exclusion. (For information about the exclusion, see chapter 4 of Publication 550.) To figure that part, multiply the child's capital gain distribution included on Schedule D, line 13, by a fraction. The numerator is the part of the child's total capital gain distribution that is section 1202 gain. The denominator is the child's total capital gain distribution. Your section 1202 exclusion is generally 50% of the result, but may be subject to a limit. In some cases, the exclusion is more than 50%. See the instructions for Schedule D for details and information on how to report the exclusion amount.

Example. Fred is 6 years old. In 2014, he received dividend income of \$2,100, which included \$1,575 of ordinary dividends and a \$525 capital gain distribution from a mutual fund. (None of the distributions were reported on Form 1099-DIV as unrecaptured section 1250 gain, section 1202 gain, or collectibles (28% rate) gain.) All of the ordinary dividends are qualified dividends. He has no other income and is not subject to backup withholding. No estimated tax payments were made under his name and social security number.

Fred's parents elect to include Fred's income on their tax return instead of filing a return for him.

They figure the amount to report on Form 1040, lines 9a and 9b, the amount to report on their Schedule D, line 13, and the amount to report on Form 1040, line 21, as follows.

They leave lines 1a and 1b of Form 8814 blank because Fred does not have any interest income. They enter his ordinary dividends of \$1,575 on lines 2a and 2b because all of Fred's ordinary dividends are qualified dividends. They enter the amount of Fred's capital gain distributions, \$525, on line 3. Next, they add the amounts on lines 1a, 2a, and 3 and enter the result, \$2,100, on line 4.

They subtract the base amount on line 5, \$2,000, from the amount on line 4, \$2,100, and enter the result, \$100, on line 6. This is the total amount from Form 8814 to be reported on their return. Next, they figure how much of this amount is qualified dividends and how much is capital gain distributions.

- They divide the amount on line 2b, \$1,575, by the amount on line 4, \$2,100. They enter the result, .75, on line 7.
- They divide the amount on line 3, \$525, by the amount on line 4, \$2,100. They enter the result, .25, on line 8.

- They multiply the amount on line 6, \$100, by the decimal on line 7, .75, and enter the result, \$75, on line 9.
- They multiply the amount on line 6, \$100, by the decimal on line 8, .25, and enter the result, \$25, on line 10.
- They include the amount from line 9, \$75, on lines 9a and 9b of their Form 1040 and enter "Form 8814 – \$75" on the dotted lines next to lines 9a and 9b. They include the amount from line 10, \$25, on line 13 of their Schedule D (Form 1040) and enter "Form 8814 – \$25" on the dotted line next to Schedule D, line 13.

They enter \$100 (\$75 + \$25) on line 11 and -0- (\$100 – \$100) on line 12. Because the amount on line 12 is -0-, they do not include any amount from Form 8814 on their Form 1040, line 21.

Figuring Additional Tax

Use Form 8814, Part II, to figure the tax on the \$2,000 of your child's interest and dividends that you do not include in your income. This tax is added to the tax figured on your income.

This additional tax is the smaller of:

1. $10\% \times (\text{your child's gross income} - \$1,000)$, or
2. \$100.



Include the amount from line 15 of all your Forms 8814 in the total on Form 1040, line 44, or Form 1040NR, line 42. Check box a on Form 1040, line 44, or Form 1040NR, line 42.

Tax for Certain Children Who Have Unearned Income

If a child's interest, dividends, and other unearned income total more than \$2,000, part of that income may be taxed at the parent's tax rate instead of the child's tax rate. If the parent does not or cannot choose to include the child's income on the parent's return, use Form 8615 to figure the child's tax. Attach the completed form to the child's Form 1040, Form 1040A, or Form 1040NR.

When Form 8615 must be filed. Form 8615 must be filed for a child if all of the following statements are true.

1. The child's unearned income was more than \$2,000.
2. The child is required to file a return for 2014.
3. The child either:
 - a. Was under age 18 at the end of the year,
 - b. Was age 19 at the end of the year and did not have earned income that was more than half of his or her support, or
 - c. Was at least age 19 and under age 24 at the end of the year, was a full-time student, and did not have earned income that was more than half of his or her support.

4. At least one of the child's parents was alive at the end of 2014.

5. The child does not file a joint return for 2014.

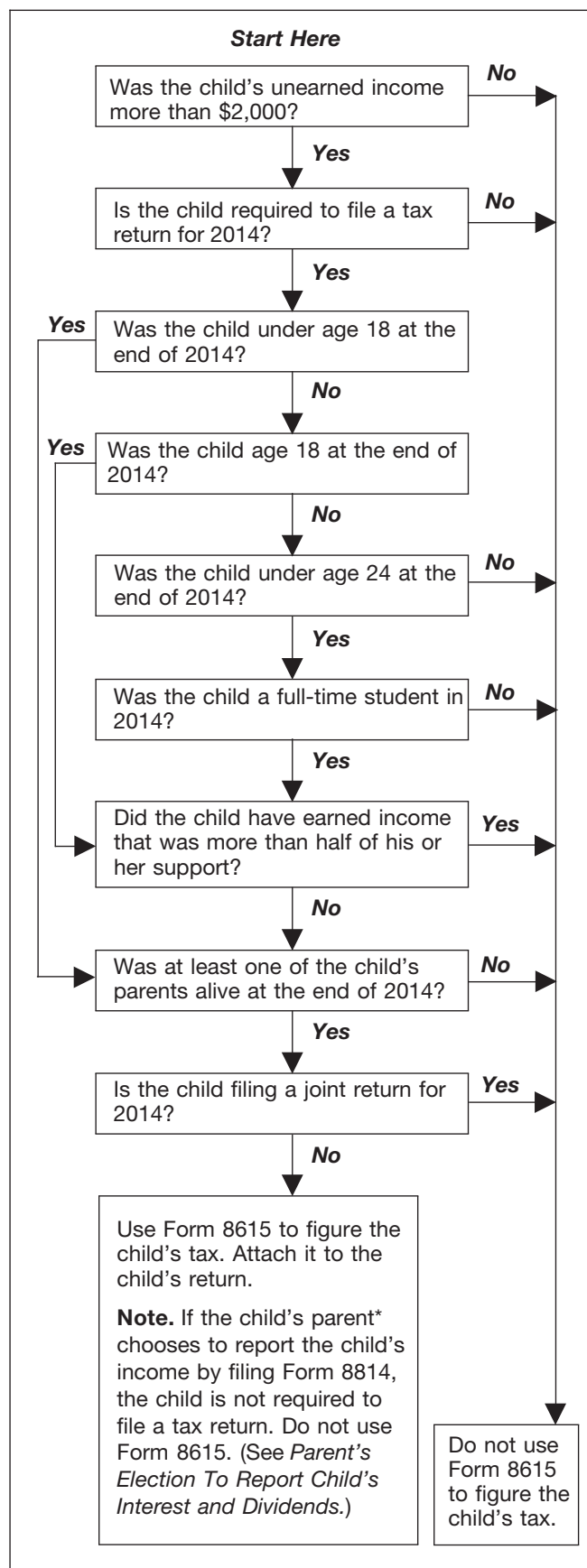
These conditions are also shown in Figure 2.

Certain January 1 birthdays. Use the following chart to determine whether certain children with January 1 birthdays meet condition 3 under *When Form 8615 must be filed*.

IF a child was born on...	THEN, at the end of 2014, the child is considered to be...
January 1, 1997	18*
January 1, 1996	19**
January 1, 1991	24***

*This child is not **under** age 18. The child meets condition 3 only if the child did not have earned income that was more than half of the child's support.
 **This child meets condition 3 only if the child was a full-time student who did not have earned income that was more than half of the child's support.
 ***Do not use Form 8615 for this child.

Figure 2. Do You Have To Use Form 8615 To Figure Your Child's Tax?



*See *Which Parent's Return To Use*

Providing Parental Information (Form 8615, Lines A–C)

On Form 8615, lines A and B, enter the parent's name and social security number. (If the parents filed a joint return, enter the name and social security number listed first on the joint return.) On line C, check the box for the parent's filing status.

See [Which Parent's Return To Use](#), earlier, for information on which parent's return information must be used on Form 8615.

Parent with different tax year. If the parent and the child do not have the same tax year, complete Form 8615 using the information on the parent's return for the tax year that ends in the child's tax year.

Example. Kimberly must use her mother's tax and taxable income to complete her Form 8615 for calendar year 2014 (January 1 – December 31). Kimberly's mother files her tax return on a fiscal year basis (July 1 – June 30). Kimberly must use the information on her mother's return for the tax year ending June 30, 2014, to complete her 2014 Form 8615.

Parent's return information not known timely. If the information needed from the parent's return is not known by the time the child's return is due (usually April 15), you can file the return using estimates.

You can use any reasonable estimate. This includes using information from last year's return. If you use an estimated amount on Form 8615, enter "Estimated" on the line next to the amount.

When you get the correct information, file an amended return on Form 1040X, Amended U.S. Individual Income Tax Return.

Extension of time to file. Instead of using estimates, you can get an automatic 6-month extension of time to file if, by the date your return is due, you file Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return. See the instructions for Form 4868 for details.



An extension of time to file is not an extension of time to pay. You must make an accurate estimate of the tax for 2014. If you do not pay the full amount due by the regular due date, the child will owe interest and may also be charged penalties. See Form 4868 and its instructions.

Parent's return information not available. If a child cannot get the required information about his or her parent's tax return, the child (or the child's legal representative) can request the necessary information from the Internal Revenue Service (IRS).

How to request. After the end of the tax year, send a signed, written request for the information to the Internal Revenue Service Center where the parent's return will be filed. (The IRS cannot process a request received before the end of the tax year.)



You should also consider getting an extension of time to file the child's return, because there may be a delay in getting the requested information.

The request must contain all of the following.

- A statement that you are making the request to comply with section 1(g) of the Internal Revenue Code and that you have tried to get the information from the parent.
- Proof of the child's age (for example, a copy of the child's birth certificate).
- Evidence the child has more than \$2,000 of unearned income (for example, a copy of the child's prior year tax return or copies of Forms 1099 for the current year).
- The name, address, social security number (if known), and filing status (if known) of the parent whose information is to be shown on Form 8615.

A child's legal representative making the request should include a copy of his or her Power of Attorney, such as Form 2848, or proof of legal guardianship.

Step 1. Figuring the Child's Net Unearned Income (Form 8615, Part I)

The first step in figuring a child's tax using Form 8615 is to figure the child's net unearned income. To do that, use Form 8615, Part I.

Line 1 (Unearned Income)

If the child had no earned income, enter on this line the adjusted gross income shown on the child's return. Adjusted gross income is shown on Form 1040, line 38; Form 1040A, line 22; or Form 1040NR, line 37. Form 1040EZ and Form 1040NR-EZ cannot be used if Form 8615 must be filed.

If the child had earned income, figure the amount to enter on Form 8615, line 1, by using the worksheet in the instructions for the form.



However, use the following worksheet if:

- the child has excluded any foreign earned income,
- deducted a loss from self-employment, or
- has a net operating loss from another year.

**Alternate Worksheet
for Form 8615, Line 1**

- A.** Enter the amount from the child's Form 1040, line 22, or Form 1040NR, line 23 _____
- B.** Enter the total of any net loss from self-employment, any net operating loss deduction, any foreign earned income exclusion, and any foreign housing exclusion from the child's Form 1040 or Form 1040NR. Enter this total as a positive number (greater than zero) _____
- C.** Add line A and line B and enter the total _____
- D.** Enter the child's earned income plus any amount from the child's Form 1040, line 30, or the child's Form 1040NR, line 30 _____
Generally, the child's earned income is the total of the amounts reported on Form 1040, lines 7, 12, and 18 (if line 12 or 18 is a loss, use zero) or Form 1040NR, lines 8, 13, and 19 (if line 13 or 19 is a loss, use zero)
- E.** Subtract line D from line C. Enter the result here and on Form 8615, line 1 _____

Unearned income defined. Unearned income is generally all income other than salaries, wages, and other amounts received as pay for work actually performed. It includes taxable interest, dividends, capital gains (including capital gain distributions), the taxable part of social security and pension payments, certain distributions from trusts, and unemployment compensation. Unearned income includes amounts produced by assets the child obtained with earned income (such as interest on a savings account into which the child deposited wages).

Nontaxable income. For this purpose, unearned income includes only amounts the child must include in gross income. Nontaxable unearned income, such as tax-exempt interest and the nontaxable part of social security and pension payments, is not included.

Capital loss. A child's capital losses are taken into account in figuring the child's unearned income. Capital losses are first applied against capital gains. If the capital losses are more than the capital gains, the difference (up to \$3,000) is subtracted from the child's interest, dividends, and other unearned income. Any difference over \$3,000 is carried to the next year.

Income from property received as a gift. A child's unearned income includes all income produced by property belonging to the child. This is true even if the property was transferred to the child, regardless of when the property was transferred or purchased or who transferred it.

A child's unearned income includes income produced by property given as a gift to the child. This includes gifts to the child from grandparents or any other person and gifts made under the Uniform Gift to Minors Act.

Example. Amanda Black, age 13, received the following income.

- Dividends—\$800
- Wages—\$2,100
- Taxable interest—\$1,200
- Tax-exempt interest—\$100
- Capital gains—\$300
- Capital losses—(\$200)

The dividends were qualified dividends on stock given to her by her grandparents.

Amanda's unearned income is \$2,100. This is the total of the dividends (\$800), taxable interest (\$1,200), and capital gains reduced by capital losses (\$300 – \$200 = \$100). Her wages are earned (not unearned) income because they are received for work actually performed. Her tax-exempt interest is not included because it is nontaxable.

Trust income. If a child is the beneficiary of a trust, distributions of taxable interest, dividends, capital gains, and other unearned income from the trust are unearned income to the child.

However, taxable distributions from a qualified disability trust are considered earned income for the purposes of completing Form 8615. See the Form 8615 instructions for details.

Adjustment to income. In figuring the amount to enter on line 1, the child's unearned income is reduced by any penalty on the early withdrawal of savings.

Line 2 (Deductions)

If the child does not itemize deductions on Schedule A (Form 1040 or Form 1040NR), enter \$2,000 on line 2.

If the child itemizes deductions, enter on line 2 the larger of:

1. \$1,000 plus the portion of the child's itemized deductions on Schedule A (Form 1040), line 29 (or Schedule A (Form 1040NR), line 15), that are directly connected with the production of the unearned income entered on line 1, or
2. \$2,000.

Directly connected. Itemized deductions are directly connected with the production of unearned income if they are for expenses paid to produce or collect taxable income or to manage, conserve, or maintain property held for producing income. These expenses include custodian fees and service charges, service fees to collect taxable interest and dividends, and certain investment counsel fees.

These expenses are added to certain other miscellaneous itemized deductions on Schedule A (Form 1040). Only the amount greater than 2% of the child's adjusted

gross income can be deducted. See Publication 529, Miscellaneous Deductions, for more information.

Example 1. Roger, age 12, has unearned income of \$8,000, no other income, no adjustments to income, and itemized deductions of \$300 (net of the 2%-of-adjusted-gross-income limit) that are directly connected with his unearned income. His adjusted gross income is \$8,000, which is entered on Form 1040, line 38, and on Form 8615, line 1. Roger enters \$2,000 on line 2 because that is more than the total of \$1,000 plus his directly-connected itemized deductions of \$300.

Example 2. Eleanor, age 8, has unearned income of \$16,000 and an early withdrawal penalty of \$100. She has no other income. She has itemized deductions of \$1,050 (net of the 2%-of-adjusted-gross-income limit) that are directly connected with the production of her unearned income. Her adjusted gross income, entered on line 1, is \$15,900 (\$16,000 – \$100). The amount on line 2 is \$2,050. This is the larger of:

1. \$1,000 plus the \$1,050 of directly connected itemized deductions, or
2. \$2,000.

Line 3

Subtract line 2 from line 1 and enter the result on this line. If zero or less, do not complete the rest of the form. However, you must still attach Form 8615 to the child's tax return. Figure the tax on the child's taxable income in the normal manner.

Line 4 (Child's Taxable Income)

Enter on line 4 the child's taxable income from Form 1040, line 43; Form 1040A, line 27; or Form 1040NR, line 41.

Child files Form 2555 or 2555-EZ. If the child files Form 2555 or 2555-EZ to claim the foreign earned income exclusion, housing exclusion, or housing deduction, the Foreign Earned Income Tax Worksheet (in the Form 1040 instructions) is used to figure the child's tax. Enter the amount from line 3 of the Foreign Earned Income Tax Worksheet as the child's taxable income on Form 8615, line 4.

Line 5 (Net Unearned Income)

A child's net unearned income cannot be more than his or her taxable income. Enter on Form 8615, line 5, the smaller of line 3 or line 4. This is the child's net unearned income.

If zero or less, do not complete the rest of the form. However, you must still attach Form 8615 to the child's tax return. Figure the tax on the child's taxable income in the normal manner.

Step 2. Figuring a Tentative Tax at the Parent's Tax Rate (Form 8615, Part II)

The next step in completing Form 8615 is to figure a tentative tax on the child's net unearned income at the parent's tax rate. The tentative tax at the parent's tax rate is the difference between the tax on the parent's taxable income figured with the child's net unearned income (plus the net unearned income of any other child whose Form 8615 includes the tax return information of that parent) and the tax figured without it.

When figuring the tentative tax at the parent's tax rate on Form 8615, do not refigure any of the exclusions, deductions, or credits on the parent's return because of the child's net unearned income. For example, do not refigure the medical expense deduction.

Figure the tentative tax on Form 8615, lines 6 through 13.

Line 6 (Parent's Taxable Income)

Enter on line 6 the amount from the parent's Form 1040, line 43; Form 1040A, line 27; Form 1040EZ, line 6; Form 1040NR, line 41; or Form 1040NR-EZ, line 14. If the parent's taxable income is zero or less, enter zero on line 6.

Parent files Form 2555 or 2555-EZ. If the parent files Form 2555 or 2555-EZ to claim the foreign earned income exclusion, housing exclusion, or housing deduction, the Foreign Earned Income Tax Worksheet in the Form 1040 instructions is used to figure the parent's tax. Enter the amount from line 3 of the Foreign Earned Income Tax Worksheet as the parent's taxable income, on line 6 of Form 8615.

Line 7 (Net Unearned Income of Other Children)

If the tax return information of the parent is also used on any other child's Form 8615, enter on line 7 the total of the amounts from line 5 of all the other children's Forms 8615. Do not include the amount from line 5 of the Form 8615 being completed. (The term "other child" means any other child whose Form 8615 uses the tax information of the parent identified on Lines A and B of Form 8615.)

Example. Paul and Jane Persimmon have three children, Sharon, Jerry, and Mike, who must attach Form 8615 to their tax returns. The children's net unearned income amounts on line 5 of their Forms 8615 are:

- Sharon—\$800
- Jerry—\$600
- Mike—\$1,000

Line 7 of Sharon's Form 8615 will show \$1,600, the total of the amounts on line 5 of Jerry's and Mike's Forms 8615.

Line 7 of Jerry's Form 8615 will show \$1,800 (\$800 + \$1,000).

Line 7 of Mike's Form 8615 will show \$1,400 (\$800 + \$600).

Other children's information not available. If the net unearned income of the other children is not available when the return is due, either file the return using estimates or get an extension of time to file. Estimates and extensions are discussed earlier under [Providing Parental Information \(Form 8615, Lines A–C\)](#).

Line 8 (Parent's Taxable Income Plus Children's Net Unearned Income)

Enter on this line the total of lines 5, 6, and 7. You must determine the amount of net capital gain and qualified dividends included on this line before completing Form 8615, line 9.

Net capital gain. Net capital gain is the smaller of the gain, if any, on Schedule D (Form 1040), line 15, or the gain, if any, on Schedule D, line 16. If Schedule D is not required, it is the amount on Form 1040, line 13; Form 1040A, line 10; or Form 1040NR, line 14.

Qualified dividends. Qualified dividends are those dividends reported on line 9b of Form 1040 or Form 1040A, or line 10b of Form 1040NR.

Net capital gain and qualified dividends on line 8. If neither the child, nor the parent, nor any other child has net capital gain, the net capital gain on line 8 is zero.

If neither the child, nor the parent, nor any other child has qualified dividends, the amount of qualified dividends on line 8 is zero.

If the child, parent, or any other child has net capital gain, figure the amount of net capital gain included on line 8 by adding together the net capital gain amounts included on lines 5, 6, and 7 of Form 8615.

If the child, parent, or any other child has qualified dividends, figure the amount of qualified dividends included on line 8 by adding together the qualified dividend amounts included on lines 5, 6, and 7.

Use the instructions for Form 8615, line 8, including the appropriate Line 5 Worksheet, to find these amounts. See the instructions for Form 8615 for more details.

Note. The amount of any net capital gain or qualified dividends is not separately reported on line 8. It is needed, however, when figuring the tax on line 9.

Line 9 (Tax on Parent's Taxable Income Plus Children's Net Unearned Income)

Figure the tax on the amount on line 8 using the Tax Table, the Tax Computation Worksheet, the Qualified Dividends and Capital Gain Tax Worksheet (in the Form 1040, 1040A, or 1040NR instructions), the Schedule D

Tax Worksheet (in the Schedule D instructions), or Schedule J (Form 1040), as follows.

- If line 8 does not include any net capital gain or qualified dividends, use the Tax Table or Tax Computation Worksheet to figure this tax. But if Schedule J, Income Averaging for Farmers and Fishermen, is used to figure the tax on the parent's return, use it to figure this tax.
- If line 8 includes any net capital gain or qualified dividends, use the Qualified Dividends and Capital Gain Tax Worksheet to figure this tax. For details, see the instructions for Form 8615, line 9. However, if the child, parent, or any other child has 28% rate gain or unrecaptured section 1250 gain, use the Schedule D Tax Worksheet. But if Schedule J is used to figure the tax on the parent's return, use it to figure this tax.

Child files Form 2555 or 2555-EZ. If line 8 includes any net capital gain or qualified dividends and the child, or any other child filing Form 8615, also files Form 2555 or 2555-EZ, use *Using the Schedule D Tax Worksheet for line 9 tax*, next, to figure the line 9 tax.

Using the Schedule D Tax Worksheet for line 9 tax.

Use the Schedule D Tax Worksheet (in the Schedule D instructions) to figure the line 9 tax on Form 8615 if the child, parent, or any other child has unrecaptured section 1250 gain or 28% rate gain. If you must use the Schedule D Tax Worksheet, first complete any Schedule D and any actual Schedule D Tax Worksheet required for the child, parent, or any other child. Then figure the line 9 tax using another Schedule D Tax Worksheet. (Do not attach this Schedule D Tax Worksheet to the child's return.)

Complete this Schedule D Tax Worksheet as follows.

1. On line 1, enter the amount from Form 8615, line 8.
2. On line 2, enter the qualified dividends included on Form 8615, line 8. (See the earlier discussion for line 8.)
3. On line 3, enter the total of the amounts, if any, on line 4g of all Forms 4952 filed by the child, parent, or any other child.
4. On line 4, enter the total of the amounts, if any, on line 4e of all Forms 4952 filed by the child, parent, or any other child. If applicable, include instead the smaller amount entered on the dotted line next to line 4e.
5. On lines 5 and 6, follow the worksheet instructions.
6. On line 7, enter the net capital gain included on Form 8615, line 8. (See the earlier discussion for line 8.)
7. On lines 8 through 10, follow the worksheet instructions.
8. On line 11, enter zero if neither the child, nor the parent, nor any other child has unrecaptured section 1250 gain (Schedule D, line 19) or 28% rate gain (Schedule D, line 18). Otherwise, enter the amount of unrecaptured section 1250 gain and 28% rate gain included in the net capital gain on line 8 of Form 8615.

Figure these amounts as explained later under *Figuring unrecaptured section 1250 gain (line 11)* and *Figuring 28% rate gain (line 11)*.

9. If the Foreign Earned Income Tax Worksheet was used to figure the parent's tax or the tax of any child, go to step 10 below. Otherwise, skip steps 10, 11, and 12 below, and go to step 13.
10. Determine whether there is a line 8 capital gain excess as follows.
 - a. Add the amounts on line 2 of all Foreign Earned Income Tax Worksheets completed by the parent or any child for whom Form 8615 is filed. (But for each child do not add more than the excess, if any, of the amount on line 5 of the child's Form 8615 over the child's taxable income on Form 1040, line 43; Form 1040A, line 27; or Form 1040NR, line 41.)
 - b. Subtract (a) from the amount on line 1 of this Schedule D Tax Worksheet.
 - c. Subtract (b) from the amount on line 10 of this Schedule D Tax Worksheet. If the result is more than zero, that amount is the line 8 capital gain excess. If the result is zero or less, there is no line 8 capital gain excess.
11. If there is no line 8 capital gain excess, skip step 12 below and go to step 13.
12. If there is a line 8 capital gain excess, complete a second Schedule D Tax Worksheet as instructed above and in step 13, but in its entirety and with the following additional modifications. (These modifications are to be made only for purposes of filling out this additional Schedule D Tax Worksheet.)
 - a. Reduce the amount you would otherwise enter on line 9 (but not below zero) by the line 8 capital gain excess.
 - b. Reduce the amount you would otherwise enter on line 6 (but not below zero) by any of the line 8 capital gain excess not used in (a) above.
 - c. If the child, parent, or any other child has 28% rate gain, reduce the amount you would otherwise enter on line 8 of Worksheet 1 for Line 11 of the Schedule D Tax Worksheet – 28% Rate Gain (Line 9 Tax), shown later, (but not below zero) by the line 8 capital gain excess, and refigure the amount on line 11 of this Schedule D Tax Worksheet.
 - d. If the child, parent, or any other child has unrecaptured section 1250 gain, reduce the amount you would otherwise enter on line 8 of Worksheet 2 for Line 11 of the Schedule D Tax Worksheet – Unrecaptured Section 1250 Gain (Line 9 Tax) (but not below zero) by the line 8 capital gain excess not used in 12(c), and refigure the amount on line 11 of this Schedule D Tax Worksheet.

13. Complete lines 12 through 45 following the worksheet instructions. Use the parent's filing status to complete lines 15, 42, and 44.

Enter the amount from line 45 of this Schedule D Tax Worksheet on Form 8615, line 9, and check the box on that line. Do not attach this worksheet to the child's return.

Figuring 28% rate gain (line 11). If the child, parent, or any other child has 28% rate gain, figure the amount of 28% rate gain included in the net capital gain on Form 8615, line 8 using the following worksheet.

**Worksheet 1 for Line 11 of the Schedule D
Tax Worksheet – 28% Rate Gain
(Line 9 Tax)**

1. Enter the amount, if any, from the child's Schedule D, line 18 _____
If line 1 is zero or blank, skip lines 2 through 4, enter -0- on line 5, and go to line 6.
2. Enter the amount from the last line of the child's completed Line 5 Worksheet in the instructions for Form 8615, line 8 _____
3. Enter the amount from line 2 of the child's completed Line 5 Worksheet _____
4. Divide line 2 by line 3. Enter the result as a decimal _____
5. Multiply line 1 by line 4 _____
6. If no other child has 28% rate gain, enter -0-. Otherwise, repeat lines 1 through 5 above for each other child who has 28% rate gain and enter the total of the line 5 amounts for those other children _____
7. Enter the amount, if any, from line 18 of the parent's Schedule D _____
8. Add lines 5, 6, and 7. Also include this amount on the Schedule D Tax Worksheet, line 11 _____

Figuring unrecaptured section 1250 gain (line 11). If the child, parent, or any other child has unrecaptured section 1250 gain, figure the amount of unrecaptured section 1250 gain included in the net capital gain on line 8 of Form 8615 using the following worksheet.

**Worksheet 2 for Line 11 of the Schedule D
Tax Worksheet – Unrecaptured
Section 1250 Gain
(Line 9 Tax)**

1. Enter the amount, if any, from the child's Schedule D, line 19 _____
If line 1 is zero or blank, skip lines 2 through 4, enter -0- on line 5, and go to line 6.
2. Enter the amount, if any, from the last line of the child's completed Line 5 Worksheet in the instructions for Form 8615, line 8 _____
3. Enter the amount from line 2 of the child's completed Line 5 Worksheet _____
4. Divide line 2 by line 3. Enter the result as a decimal _____
5. Multiply line 1 by line 4 _____
6. If no other child has unrecaptured section 1250 gain, enter -0-. Otherwise, repeat lines 1 through 5 for each other child who has unrecaptured section 1250 gain and enter the total of the line 5 amounts for those children _____
7. Enter the amount, if any, from line 19 of the parent's Schedule D _____
8. Add lines 5, 6, and 7. Also include this amount on the Schedule D Tax Worksheet, line 11 _____

Using Schedule J (Form 1040), for line 9 tax. Use Schedule J, Income Averaging for Farmers and Fishermen, to figure the line 9 tax on Form 8615 if Schedule J is used to figure the tax on the parent's return. First complete the actual Schedule J for the parent, then use another Schedule J as a worksheet to figure the tax to enter on line 9 of Form 8615. (Do not attach this worksheet to the child's return.)

Complete this worksheet Schedule J as follows.

1. On line 1, enter the amount from Form 8615, line 8.
2. On lines 2a, 2b, and 2c, enter the amounts from the parent's Schedule J, lines 2a, 2b, and 2c.
3. Complete line 3 following the Schedule J instructions.
4. Complete line 4. If Form 8615, line 8, includes any net capital gain, use the Qualified Dividends and Capital Gain Tax Worksheet to figure the tax amount on this line. For details on how to use the worksheet, see the instructions for Form 8615, line 9, but use the amount on line 3 of this worksheet Schedule J, (instead of the amount on Form 8615, line 8) in step (1) of *Using the Qualified Dividends and Capital Gain Tax Worksheet for line 9 tax*. However, if the child, parent, or any other child has 28% rate gain, or unrecaptured section 1250 gain, use the Schedule D Tax Worksheet. Follow the earlier instructions under *Using the Schedule D Tax Worksheet for line 9 tax*, except use the amount on line 3 of this worksheet Schedule J, (instead of the amount on Form 8615, line 8) in step (1).
5. On lines 5 through 16, enter the amounts from the parent's Schedule J, lines 5 through 16.

6. Complete lines 17 and 18 following the Schedule J instructions.
7. On lines 19 through 22, enter the amounts from the parent's Schedule J, lines 19 through 22.
8. Complete line 23 following the Schedule J instructions.

Enter the amount from line 23 of this worksheet Schedule J on Form 8615, line 9, and check the box on that line.

Line 10 (Parent's Tax)

Enter on line 10 the amount from the parent's Form 1040, line 44; Form 1040A, line 28 (minus any alternative minimum tax); Form 1040EZ, line 10; Form 1040NR, line 42; or Form 1040NR-EZ, line 15. Do not include the tax, if any, from Form 4972 or Form 8814 or any tax from recapture of an education credit.

If the parent files Form 2555 or 2555-EZ, enter the amount from line 4 of the parent's Foreign Earned Income Tax Worksheet (in the Form 1040 instructions), instead of the parent's tax from Form 1040, line 44.

Line 11 (Tentative Tax)

Subtract line 10 from line 9 and enter the result on this line. This is the tentative tax.

If line 7 is blank, skip lines 12a and 12b and enter the amount from line 11 on line 13. Also skip the discussion for lines 12a and 12b that follows.

Lines 12a and 12b (Dividing the Tentative Tax)

If an amount is entered on line 7, divide the tentative tax shown on line 11 among the children according to each child's share of the total net unearned income. This is done on lines 12a, 12b, and 13. Add the amount on line 7 to the amount on line 5 and enter the total on line 12a. Divide the amount on line 5 by the amount on line 12a and enter the result, as a decimal, on line 12b.

Example. In the earlier example under [Line 7 \(Net Unearned Income of Other Children\)](#), Sharon's Form 8615 shows \$1,600 on line 7. The amount entered on line 12a is \$2,400, the total of the amounts on lines 5 and 7 (\$800 + \$1,600). The decimal on line 12b is .333, figured as follows and rounded to three places.

$$\frac{\$800}{\$2,400} = .333$$

Line 13 (Child's Share of Tentative Tax)

If an amount is entered on line 7, multiply line 11 by the decimal on line 12b and enter the result on line 13. This is the child's share of the tentative tax.

Step 3. Figuring the Child's Tax (Form 8615, Part III)

The final step in figuring a child's tax using Form 8615 is to determine the larger of:

1. The total of:
 - a. The child's share of the tentative tax based on the parent's tax rate, plus
 - b. The tax on the child's taxable income in excess of net unearned income, figured at the child's tax rate, or
2. The tax on the child's taxable income, figured at the child's tax rate.

This is the child's tax. It is figured on Form 8615, lines 14 through 18.

Line 14 (Child's Taxable Income in Excess of Net Unearned Income)

If lines 4 and 5 of Form 8615 are the same, the child's taxable income is not more than the child's net unearned income. Enter zero on lines 14 and 15, and go to line 16. Also skip the rest of this discussion and the discussion for line 15 that follows.

If lines 4 and 5 are not the same, subtract line 5 from line 4 and enter the result on line 14. Then, before completing line 15, you must determine the amount of net capital gain and qualified dividends, if any, included on line 14.

Net capital gain and qualified dividends on line 14. If the child does not have any net capital gain or qualified dividends, the amount of the net capital gain and qualified dividends included on line 14 is zero.

If the child has net capital gain, the amount of net capital gain included on line 14 is the amount from line 2 of the child's completed Line 5 Worksheet minus the amount from the last line of that worksheet. (See the earlier discussion for line 8 of Form 8615.)

If the child has qualified dividends, the amount of qualified dividends included on line 14 is the amount from line 1 of the child's completed Line 5 Worksheet minus the amount from the next to the last line of that worksheet. (See the earlier discussion of line 8 of Form 8615.)

Line 15 (Tax on Child's Taxable Income in Excess of Net Unearned Income)

Figure the tax on the amount on line 14 using the Tax Table, the Tax Computation Worksheet, the Qualified Dividends and Capital Gain Tax Worksheet, the Schedule D Tax Worksheet, or Schedule J (Form 1040), as follows.

- If line 14 does not include any net capital gain or qualified dividends, use the Tax Table or Tax Computation Worksheet (or Schedule J, if applicable) to figure this tax.

- If line 14 includes any net capital gain or qualified dividends, use the Qualified Dividends and Capital Gain Tax Worksheet to figure this tax. For details, see the instructions for Form 8615, line 15. However, if the child has 28% rate gain or unrecaptured section 1250 gain, use the Schedule D Tax Worksheet. (But use Schedule J instead, if it applies.)

Child files Form 2555 or 2555-EZ. If line 14 includes any net capital gain or qualified dividends and the child files Form 2555 or 2555-EZ, use *Using the Schedule D Tax Worksheet for line 15 tax*, next, to figure the line 15 tax.

Using the Schedule D Tax Worksheet for line 15 tax. Use the Schedule D Tax Worksheet (in the Schedule D instructions) to figure the line 15 tax on Form 8615 if the child has unrecaptured section 1250 gain or 28% rate gain. Do not attach this Schedule D Tax Worksheet to the child's return.

Complete this Schedule D Tax Worksheet as follows.

1. On line 1, enter the amount from Form 8615, line 14.
2. On line 2, enter the qualified dividends included on Form 8615, line 14. (See the earlier discussion for line 14.)
3. Leave lines 3 through 5 blank.
4. Enter the amount from line 2 on line 6.
5. On line 7, enter the net capital gain included on Form 8615, line 14. (See the earlier discussion for line 14.)
6. Skip line 8.
7. Enter the amount from line 7 on line 9.
8. Complete line 10, following the worksheet instructions.
9. On line 11, enter zero if the child has no 28% rate gain (Schedule D, line 18) or unrecaptured section 1250 gain (Schedule D, line 19). Otherwise, see Worksheet 1 for Line 11 of the Schedule D Tax Worksheet – 28% Rate Gain (Line 9 Tax) and Worksheet 2 for Line 11 of the Schedule D Tax Worksheet – Unrecaptured Section 1250 Gain (Line 9 Tax) under [Using the Schedule D Tax Worksheet for line 9 tax](#), earlier. For each worksheet you complete, subtract line 5 of that worksheet from line 1 of that worksheet, and include the result on line 11 of this worksheet.
10. If the child is not filing Form 2555 or 2555-EZ, skip steps 11, 12, and 13 below, and go to step 14. If the child is filing Form 2555 or 2555-EZ, go to step 11.
11. Determine whether there is a line 14 capital gain excess as follows.
 - a. Subtract from line 2 of the child's Foreign Earned Income Tax Worksheet the excess, if any, of the amount on line 5 of the child's Form 8615 over the child's taxable income on Form 1040, line 43; Form 1040A, line 27; or Form 1040NR, line 41.

- b. Subtract (a) from the amount on line 14 of Form 8615.
 - c. Subtract (b) from the amount on line 10 of this Schedule D Tax Worksheet. If the result is more than zero, that amount is the line 14 capital gain excess. If the result is zero or less, there is no line 14 capital gain excess.
12. If there is no line 14 capital gain excess, skip step 13 below and go to step 14.
13. If there is a line 14 capital gain excess, complete a second Schedule D Tax Worksheet as instructed above and in step 14 below but in its entirety and with the following additional modifications. (These modifications are to be made only for purposes of filling out this Schedule D Tax Worksheet.)
- a. Reduce the amount you would otherwise enter on line 9 (but not below zero) by the line 14 capital gain excess.
 - b. Reduce the amount you would otherwise enter on line 6 (but not below zero) by any of the line 14 capital gain excess not used in (a) above.
 - c. If the child has 28% rate gain, reduce the amount you would otherwise enter on line 11, as figured in step 9, (but not below zero) by the line 14 capital gain excess.
 - d. If the child has unrecaptured section 1250 gain, reduce the amount you would otherwise enter on line 11, as figured in step 9, (but not below zero) by the line 14 capital gain excess not used in (c) above.
14. Complete lines 12 through 45 following the worksheet instructions. Use the child's filing status to complete lines 15, 42, and 44.

Enter the amount from line 45 of this Schedule D Tax Worksheet on Form 8615, line 15, and check the box on that line. Do not attach this worksheet to the child's return.

Using Schedule J for line 15 tax. If Schedule J applies, use it as a worksheet to figure the tax to enter on Form 8615, line 15. On line 1 of this worksheet, enter the amount from Form 8615, line 14. Complete lines 2a through 23 following the Schedule J instructions. Use the child's filing status to complete lines 4, 8, 12, and 16.

Enter the amount from line 23 of this worksheet Schedule J, on Form 8615, line 15, and check the box on that line. Do not attach this worksheet to the child's return.

Line 16 (Combined Tax)

Add lines 13 and 15 and enter the total on line 16. This is the child's tax figured at the parent's rate on net unearned income and the child's rate on other income.

Line 17 (Tax at Child's Rate)

Figure the tax on the amount on line 4. Use the Tax Table, the Tax Computation Worksheet, the Qualified Dividends and Capital Gain Tax Worksheet, the Schedule D Tax Worksheet, or the child's actual Schedule J (Form 1040), whichever applies. Enter the tax amount on line 17. If it is from the Qualified Dividends and Capital Gain Tax Worksheet, the Schedule D Tax Worksheet, or Schedule J, check the box on that line.

Child files Form 2555 or 2555-EZ. If the child files Form 2555 or 2555-EZ and has a net capital gain or qualified dividends, figure the tax using the Qualified Dividends and Capital Gain Tax Worksheet or the Schedule D Tax Worksheet, whichever applies. To fill out that worksheet, follow the instructions in the footnote to the Foreign Earned Income Tax Worksheet (in the Form 1040 instructions).

Line 18 (Tax)

Enter on line 18 the larger of line 16 or line 17. Also enter this amount on the child's Form 1040, line 44; Form 1040A, line 28; or Form 1040NR, line 42. This is the child's tax.

Child files Form 2555 or 2555-EZ. If the child files Form 2555 or 2555-EZ, do **not** enter the amount from Form 8615, line 18, on the child's Form 1040, line 44. Instead, enter the amount from Form 8615, line 18, on line 4 of the child's Foreign Earned Income Tax Worksheet. Then complete the rest of the Foreign Earned Income Tax Worksheet (in the Form 1040 instructions) to figure the child's tax.

Alternative Minimum Tax

A child may be subject to alternative minimum tax (AMT) if he or she has certain items given preferential treatment under the tax law. These items include accelerated depreciation and certain tax-exempt interest income. The AMT may also apply if the child has passive activity losses or certain distributions from estates or trusts.

For more information on who is liable for AMT and how to figure it, see Form 6251.

Limit on exemption amount (AMT). Ordinarily, single individuals can subtract a \$52,800 exemption amount from their AMT taxable income. However, a child who files Form 8615 has a limited exemption amount. The child's exemption amount for 2014 is limited to the child's earned income plus \$7,250. Figure the child's allowable exemption amount on the worksheet in the instructions for Form 6251, line 29.

Glossary

Adjusted gross income. Gross income (defined later) minus adjustments to income (defined next).

Adjustments to income. Deductions that are subtracted from gross income in figuring adjusted gross income. They include deductions for moving expenses, alimony paid, a penalty on early withdrawal of savings, and contributions to an individual retirement arrangement (IRA). Adjustments to income can be taken even if itemized deductions (defined later) are not claimed.

Alternative minimum tax. A tax designed to collect at least a minimum amount of tax from taxpayers who benefit from the tax laws that give special treatment to certain kinds of income and allow deductions and credits for certain kinds of expenses.

Capital gain distribution. An allocated amount paid to, or treated as paid to, a shareholder by a mutual fund, regulated investment company, or real estate investment trust from its net realized long-term capital gains. This amount is in addition to any ordinary dividend paid to the shareholder. You will receive a statement from the payer if this applies to you.

Dependent. A person, other than the taxpayer or the taxpayer's spouse, for whom an exemption (defined later) can be claimed. To be your dependent, a person must be your qualifying child or qualifying relative (both defined later). For more information, see *Exemptions for Dependents* in Publication 501.

Earned income. Salaries, wages, tips, professional fees, and other amounts received as pay for work actually performed.

For purposes of determining a dependent's standard deduction, earned income also includes any part of a scholarship or fellowship grant that the dependent must include in his or her gross income.

For purposes of completing Form 8615, earned income also includes a taxable distribution from a qualified

disability trust. It does not include unearned income as defined earlier, under *Line 1 (Unearned Income)*.

Exemption. An amount (\$3,950 for 2014) that can be subtracted from income in figuring how much income will be taxed. Exemptions generally are allowed for the taxpayer, the taxpayer's spouse, and dependents.

Full-time student. A full-time student is a child who during some part of each of any 5 calendar months of the year 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 offering courses only through the Internet.

Gross income. All income from all sources that is not exempt from tax and must be included on your tax return. Gross income is the total of your earned and unearned income.

For purposes of determining whether you must file a return, gross income includes gain from the sale of your main home (even if you can exclude part or all of it) and includes income earned outside the United States (even if you can exclude part or all of it).

Itemized deductions. Deductions allowed on Schedule A (Form 1040) for medical and dental expenses, taxes, home mortgage interest and investment interest, charitable contributions, casualty and theft losses, and miscellaneous deductions. They are subtracted from adjusted gross income in figuring taxable income. Itemized deductions cannot be claimed if the standard deduction is chosen.

Net capital gain. The excess of net long-term capital gain over any net short-term capital loss. For 2013, this is the smaller of the gain on line 15 or the gain on line 16 of Schedule D (Form 1040). If Schedule D (Form 1040) is not required, net capital gain is

the amount of capital gain distributions on Form 1040, line 13; Form 1040A, line 10; or Form 1040NR, line 14.

Net unearned income. The total of all unearned income (other than tax-exempt income) reduced by the sum of:

1. Any adjustments to income (defined earlier) that are related to the unearned income, plus
2. The larger of:
 - a. \$1,000 plus the portion of the child's itemized deductions on Schedule A (Form 1040), line 29 (or Schedule A (Form 1040NR), line 15), that are directly connected with producing the unearned income, or
 - b. \$2,000.

Qualified dividends. Dividends eligible for the lower tax rates that apply to a net capital gain. They are reported to you in box 1b of Form 1099-DIV. You report them on Form 1040 or Form 1040A, line 9b, or Form 1040NR, line 10b. For more information, see Publication 550.

Qualifying child. To be your dependent (defined earlier), a person must be either your qualifying child or your qualifying relative (defined next). Generally, a person is your qualifying child if that person:

- Is your child, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them,
- Lived with you for more than half of the year,
- Did not provide more than half of his or her own support for the year,
- Was under age 19 at the end of the year and younger than you (or your spouse if filing jointly) (or was under age 24 at the end of the year, a student, and younger than you (or your spouse if filing jointly), or was any age and permanently and totally disabled), and

- Did not file a joint return with his or her spouse.

For details, see *Exemptions for Dependents* in Publication 501.

Qualifying relative. To be your dependent (defined earlier), a person must be either your qualifying child (defined earlier) or your qualifying relative. Generally, a person is your qualifying relative if that person:

- Lives with or is related to you,
- Does not have \$3,950 or more of gross (total) income,
- Is supported (generally more than 50%) by you, and
- Is neither your qualifying child nor the qualifying child of anyone else.

For details, see *Exemptions for Dependents* in Publication 501.

Standard deduction. An amount that can be subtracted from adjusted gross income in figuring taxable income. The

standard deduction is not used if itemized deductions are claimed.

Support. All amounts spent to provide the child with food, lodging, clothing, education, medical and dental care, recreation, transportation, and similar necessities. To figure your child's support, count support provided by you, your child, and others. However, a scholarship received by your child is not considered support if your child is a full-time student. See Publication 501 for details.

Tax year. The time period covered by a tax return. Usually this is January 1 to December 31, a calendar year, but taxpayers can elect a fiscal tax year with different beginning and ending dates.

Taxable income. Gross income minus any adjustments to income, any allowable exemptions, and either itemized deductions or the standard deduction.

Unearned income. Income other than earned income. This is investment-type income and includes interest, dividends, and capital gains (including capital gain distributions), rents, royalties, etc. Distributions of interest, dividends, capital gains, and other unearned income from a trust are also unearned income to a beneficiary of the trust. However, for purposes of completing Form 8615, a taxable distribution from a qualified disability trust is considered earned income.

Unrecaptured section 1250 gain. Generally, any part of your net capital gain from selling section 1250 property (real property) that is due to depreciation. For details, see Publication 550.

28% rate gain. Gain from the sale of collectibles and, generally, the taxable part of your gain from the sale of qualified small business stock held more than 5 years. For details, see the instructions for Schedule D (Form 1040).

How To Get Tax Help

Do you need help with a tax issue or preparing your tax return, or do you need a free publication or form?

Preparing and filing your tax return. Find free options to prepare and file your return on IRS.gov or in your local community if you qualify.

- Go to IRS.gov and click on the Filing tab to see your options.
- Enter “Free File” in the search box to use brand name software to prepare and *e-file* your federal tax return for free.
- Enter “VITA” in the search box, download the free IRS2Go app, or call 1-800-906-9887 to find the nearest Volunteer Income Tax Assistance or Tax Counseling for the Elderly (TCE) location for free tax preparation.
- Enter “TCE” in the search box, download the free IRS2Go app, or call 1-888-227-7669 to find the

nearest Tax Counseling for the Elderly location for free tax preparation.

The Volunteer Income Tax Assistance (VITA) program offers free tax help to people who generally make \$53,000 or less, persons with disabilities, the elderly, and limited-English-speaking taxpayers who need help preparing their own tax returns. The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors.

Getting answers to your tax law questions. IRS.gov and IRS2Go are ready when you are—24 hours a day, 7 days a week.

- Enter “ITA” in the search box on IRS.gov for the Interactive Tax Assistant, a tool that will ask you

questions on a number of tax law topics and provide answers. You can print the entire interview and the final response.

- Enter “Tax Map” or “Tax Trails” in the search box for detailed information by tax topic.
- Enter “Pub 17” in the search box to get Pub. 17, Your Federal Income Tax for Individuals, which features details on tax-saving opportunities, 2014 tax changes, and thousands of interactive links to help you find answers to your questions.
- Call TeleTax at 1-800-829-4477 for recorded information on a variety of tax topics.
- Access tax law information in your electronic filing software.
- Go to IRS.gov and click on the Help & Resources tab for more information.

Tax forms and publications. You can download or print all of the forms and publications you may need on www.irs.gov/formspubs. Otherwise, you can:

- Go to www.irs.gov/orderforms to place an order and have forms mailed to you, or
- Call 1-800-829-3676 to order current-year forms, instructions, publications, and prior-year forms and instructions (limited to 5 years).

You should receive your order within 10 business days.

Where to file your tax return.

- There are many ways to file your return electronically. It's safe, quick and easy. See *Preparing and filing your tax return*, earlier, for more information.
- See your tax return instructions to determine where to mail your completed paper tax return.

Getting a transcript or copy of a return.

- Go to IRS.gov and click on "Get Transcript of Your Tax Records" under "Tools."
- Download the free IRS2Go app to your smart phone and use it to order transcripts of your tax returns or tax account.
- Call the transcript toll-free line at 1-800-908-9946.
- Mail Form 4506-T or Form 4506T-EZ (both available on IRS.gov).

Using online tools to help prepare your return. Go to IRS.gov and click on the Tools bar to use these and other self-service options.

- The [Earned Income Tax Credit Assistant](#) determines if you are eligible for the EIC.
- The [First Time Homebuyer Credit Account Look-up](#) tool provides information on your repayments and account balance.
- The [Alternative Minimum Tax \(AMT\) Assistant](#) determines whether you may be subject to AMT.

- The [Online EIN Application](#) helps you get an Employer Identification Number.
- The [IRS Withholding Calculator](#) estimates the amount you should have withheld from your paycheck for federal income tax purposes.
- The [Electronic Filing PIN Request](#) helps to verify your identity when you do not have your prior year AGI or prior year self-selected PIN available.

Understanding identity theft issues.

- Go to www.irs.gov/uac/Identity-Protection for information and videos.
- If your SSN has been lost or stolen or you suspect you are a victim of tax-related identity theft, visit www.irs.gov/identitytheft to learn what steps you should take.

Checking on the status of a refund.

- Go to www.irs.gov/refunds.
- Download the free IRS2Go app to your smart phone and use it to check your refund status.
- Call the automated refund hotline at 1-800-829-1954.

Making a tax payment. You can make electronic payments online, by phone, or from a mobile device. Paying electronically is safe and secure. The IRS uses the latest encryption technology and does not store banking information. It's easy and secure and much quicker than mailing in a check or money order. Go to IRS.gov and click on the Payments tab or the "Pay Your Tax Bill" icon to make a payment using the following options.

- [Direct Pay](#) (only if you are an individual who has a checking or savings account).
- Debit or credit card.
- Electronic Federal Tax Payment System.
- Check or money order.

What if I can't pay now? Click on the Payments tab or the "Pay Your Tax Bill"

icon on IRS.gov to find more information about these additional options.

- An [online payment agreement](#) determines if you are eligible to apply for an installment agreement if you cannot pay your taxes in full today. With the needed information, you can complete the application in about 30 minutes, and get immediate approval.
- An offer in compromise allows you to settle your tax debt for less than the full amount you owe. Use the [Offer in Compromise Pre-Qualifier](#) to confirm your eligibility.

Checking the status of an amended return. Go to IRS.gov and click on the Tools tab and then [Where's My Amended Return?](#)

Understanding an IRS notice or letter. Enter "Understanding your notice" in the search box on IRS.gov to find additional information about your IRS notice or letter.

Visiting the IRS. Locate the nearest Taxpayer Assistance Center using the Office Locator tool on IRS.gov. Enter "office locator" in the search box. Or choose the "Contact Us" option on the IRS2Go app and search Local Offices. Before you visit, use the Locator tool to check hours and services available.

Watching IRS videos. The IRS Video portal www.irsvideos.gov contains video and audio presentations on topics of interest to individuals, small businesses, and tax professionals. You'll find video clips of tax topics, archived versions of live panel discussions and Webinars, and audio archives of tax practitioner phone forums.

Getting tax information in other languages. For taxpayers whose native language is not English, we have the following resources available.

1. Taxpayers can find information on IRS.gov in the following languages.
 - a. [Spanish](#).
 - b. [Chinese](#).
 - c. [Vietnamese](#).
 - d. [Korean](#).
 - e. [Russian](#).

2. The IRS Taxpayer Assistance Centers provide over-the-phone interpreter service in over 170 languages, and the service is available free to taxpayers.

The Taxpayer Advocate Service Is Here To Help You

What is the Taxpayer Advocate Service?

The Taxpayer Advocate Service (TAS) is an **independent** organization within the Internal Revenue Service that helps taxpayers and protects taxpayer rights. Our job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the [Taxpayer Bill of Rights](#).

What Can the Taxpayer Advocate Service Do For You?

We can help you resolve problems that you can't resolve with the IRS. And our service is free. If you qualify for our assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business,

- You face (or your business is facing) an immediate threat of adverse action, or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

How Can You Reach Us?

We have offices [in every state, the District of Columbia, and Puerto Rico](#). Your local advocate's number is in your local directory and at www.taxpayeradvocate.irs.gov. You can also call us at 1-877-777-4778.

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes ten basic rights that all taxpayers have when dealing with the IRS. Our Tax Toolkit at www.taxpayeradvocate.irs.gov can help you understand [what these rights mean to you](#) and how they apply. These are **your** rights. Know them. Use them.

How Else Does the Taxpayer Advocate Service Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues,

please report it to us at www.irs.gov/sams.

Low Income Taxpayer Clinics

Low Income Taxpayer Clinics (LITCs) serve individuals whose income is below a certain level and need to resolve tax problems such as audits, appeals, and tax collection disputes. Some clinics can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. To find a clinic near you, visit www.irs.gov/litc or see IRS Publication 4134, [Low Income Taxpayer Clinic List](#).



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