

With October coming right around the corner, so does the final extension for tax returns. With that thought in mind, I thought that I would go over some basic information that causes confusion with some.

First- Filing status. There are five:

- **Single**- if you are unmarried and no dependents
- **Married filing joint**- you are married and live with your spouse
- **Married filing separately**- you are married but choose to file away from your spouse for different reasons- keeping income separate; keeping business separate; or you have been separated for at least the last six months of the year.
- **Head of Household**- if you are single, and have dependents
- **Qualifying Widow(er) with child**- when your spouse dies, this is for the first two years after the death, as long as you did not remarry.

Second- Dependents. Who qualifies and what kind are they? There are several types.

Qualifying Child- must be a son, daughter, step son, step daughter, brother, sister, step brother, step sister, niece, nephew or grandchild. The child must have lived with you for longer than six months and be younger than you. They must also be under the age of 19 OR under the age of 24 and a full time student for any of five months out of the year AND cannot have earned more than half of their support for the year.

Qualifying Relative-anyone listed above, including a parent, an in-law, and anyone who has lived in the household as a member. Meaning, if your adult child comes back home, or your adult child and girl/boyfriend. With this, they could not have earned MORE than \$3,650 for the year. They must not be a taxpayer. This means that the qualifying person either is not required to file or will only file to get a refund.

If the parents are divorced and trying to claim a child, certain rules exist.

- If the NON custodial parent is claiming the child, the custodial parent has to sign a form 8332 to give up claim for the child. This is going to be enforced by the IRS in the coming years. The IRS is tired of the parents going to the “first in wins” thinking. If you are in the middle of a divorce, it is wise to have the attorney include the signing of the form in the decree.
- If the Custodial parent is claiming the child, they are entitled to the credits of Earned Income, Child Care, Child Tax and Additional Child Tax, and the Head of Household status. The NON custodial parent may only claim for dependency exemption and child tax credits, not the Head of Household status.
- If the child lived equally with both parents, tie breaker rules apply. This just states that whoever earned the most money claims the child.

I know that this is confusing. As a tax professional, this is still confusing to us at times. In the time of blended families and mixed parenting, it is important to understand the rules. The IRS can and will come back and disallow it. This will cause additional tax, interest and perhaps penalties.

If you have questions that you would like answered, please email Kristhetaxlady@gmail.com