



# **SAVE** FIRST

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PUB 4012 SELECTIONS

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# 4012 Table of Contents

**Note:** The following packet is a condensed version of the actual Publication 4012 you will use at a SaveFirst Tax Site. This packet is abridged so as to highlight the most important pages you will use as a basic volunteer. It also contains some information that is not in scope for SaveFirst basic volunteers, but will assist you in the completing the IRS certification test. Such information is highlighted, along with information designed to help you with trick questions on the test.

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# Chart A – For Most People Who Must File

If you may be claimed as a dependent by another taxpayer, you must file as a dependent whether you are being claimed or not. See Chart B for dependent filing requirements.

If your filing status is...	AND at the end of 2018 you were...*	THEN file a return if your gross income was at least...**
Single	under 65	\$12,000
	65 or older	\$13,600
Married filing jointly***	under 65 (both spouses)	\$24,000
	65 or older (one spouse)	\$25,300
	65 or older (both spouses)	\$26,600
Married filing separately (see the Instructions for Form 1040)	any age	\$5
Head of household (see the Instructions for Form 1040)	under 65	\$18,000
	65 or older	\$19,600
Qualifying widow(er) (see the Instructions for Form 1040)	under 65	\$24,000
	65 or older	\$25,300

\* If you were born on January 1, 1954 you are considered to be age 65 at the end of 2018. (If your spouse died in 2018 or if you are preparing a return for someone who died in 2018, see Pub. 501)

\*\* **Gross income** means all income you received in the form of money, goods, property, and services that isn't exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it).

- Do not include any social security benefits unless

- (a) you are married filing a separate return and you lived with your spouse at any time in 2018 or

- (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than \$25,000 (\$32,000 if married filing jointly).

If (a) or (b) applies, see the Form 1040 Instructions to figure the taxable part of social security benefits you must include in gross income.

- Gross income includes gains, but not losses, reported on Form 8949 or Schedule D.

- Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, don't reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.

\*\*\* If you didn't live with your spouse at the end of 2018 (or on the date your spouse died) and your gross income was at least \$5, you must file a return regardless of your age.

Individuals who do not have a filing requirement based on this chart should also check Chart C, Other Situations When You Must File, and Chart D, Who Should File. Individuals with earned income but who do not have a filing requirement may be eligible for the Earned Income Credit.

# Chart B – For Children and Other Dependents

If your parent (or any other taxpayer) *may* claim you as a dependent, use this chart to see if you must file a return.

In this chart, **unearned income** includes taxable interest, ordinary dividends, and capital gain distributions. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. **Earned income** includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. **Gross income** is the total of your unearned and earned income.

Single Dependents	
Either 65 or over or blind	You must file a return if <b>any</b> of the following apply. <ol style="list-style-type: none"> <li>1. Your unearned income was over \$2,650 (\$4,250 if 65 or older <b>and</b> blind).</li> <li>2. Your earned income was over \$13,600 (\$15,200 if 65 or older <b>and</b> blind).</li> <li>3. Your gross income was more than the <b>larger</b> of —               <ol style="list-style-type: none"> <li>a. \$2,650 (\$4,250 if 65 or older <b>and</b> blind) or</li> <li>b. Your earned income (up to \$11,650) plus \$1,950 (\$3,550 if 65 or older <b>and</b> blind).</li> </ol> </li> </ol>
Under 65 and not blind	You must file a return if <b>any</b> of the following apply. <ol style="list-style-type: none"> <li>1. Your unearned income was over \$1,050.</li> <li>2. Your earned income was over \$12,000.</li> <li>3. Your gross income was more than the <b>larger</b> of —               <ol style="list-style-type: none"> <li>a. \$1,050, or</li> <li>b. Your earned income (up to \$11,650) plus \$350.</li> </ol> </li> </ol>
Married Dependents	
Either age 65 or older or blind	You must file a return if <b>any</b> of the following apply. <ol style="list-style-type: none"> <li>1. Your unearned income was over \$2,350 (\$3,650 if 65 or older <b>and</b> blind).</li> <li>2. Your earned income was over \$13,300 (\$14,600 if 65 or older <b>and</b> blind).</li> <li>3. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.</li> <li>4. Your gross income was more than the <b>larger</b> of —               <ol style="list-style-type: none"> <li>a. \$2,350 (\$3,650 if 65 or older <b>and</b> blind), or</li> <li>b. Your earned income (up to \$11,650) plus \$1,650 (\$2,950 if 65 or older <b>and</b> blind).</li> </ol> </li> </ol>
Under age 65 and not blind	You must file a return if <b>any</b> of the following apply. <ol style="list-style-type: none"> <li>1. Your unearned income was over \$1,050.</li> <li>2. Your earned income was over \$12,000.</li> <li>3. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.</li> <li>4. Your gross income was more than the <b>larger</b> of —               <ol style="list-style-type: none"> <li>a. \$1,050, or</li> <li>b. Your earned income (up to \$11,650) plus \$350.</li> </ol> </li> </ol>

## Tax for Certain Children who have Unearned Income - Form 8615 (Kiddie Tax)

Children under age 18 and certain older children who are required to file a tax return and have unearned income over \$2,100 must file Form 8615. For this purpose, “unearned income” includes all taxable income other than earned income, such as taxable interest, ordinary dividends, capital gains, rents, royalties, etc. It also includes taxable social security benefits, pension and annuity income, taxable scholarship and fellowship grants not reported on Form W-2, unemployment compensation, alimony, and income received as the beneficiary of a trust. Form 8615 is in scope, with limitations. See Tab H, Other Taxes, Payments and ACA.

# Chart C – Other Situations When You Must File

You must file a return if any of the conditions below apply for 2018.

1. You owe any special taxes, including any of the following.
  - a. Alternative minimum tax.
  - b. Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file Form 5329 by itself.
  - c. Household employment taxes. But if you are filing a return only because you owe this tax, you can file Schedule H by itself.
  - d. Social security and Medicare tax on tips you did not report to your employer or on wages you received from an employer who did not withhold these taxes.
  - e. Recapture of first-time homebuyer credit. See Instructions for Form 1040, Schedule 4.
  - f. Write-in taxes, including uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance and additional taxes on health savings accounts. See the Instructions for Form 1040.
  - g. Recapture taxes. See the Instructions for Form 1040.
2. You (or your spouse, if filing jointly) received HSA, Archer MSA or Medicare Advantage MSA distributions.
3. You had net earnings from self-employment of at least \$400.
4. You 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.
5. Advance payments of the premium tax credit were made for you, your spouse, or a dependent who enrolled in coverage through the Marketplace. You or whoever enrolled you should have received Form(s) 1095-A showing the amount of the advance payments.
6. Advance payments of the health coverage tax credit were made for you, your spouse, or a dependent. You or whoever enrolled you should have received Form(s) 1099-H showing the amount of the advance payments.
7. You have a net tax liability that you deferred by making an election under section 965(i).

# Chart D – Who Should File

Even if a taxpayer is not required to file a federal income tax return, they should file if any of the following situations below apply.

1. You had income tax withheld from your pay, pension, social security or other income.
2. You made estimated tax payments for the year or had any of your overpayment for last year's estimated tax applied to this year's taxes.
3. You qualify for the earned income credit. See Publication 596, Earned Income Credit (EIC), for more information.
4. You qualify for the additional child tax credit. See Form 1040 Instructions for more information on this credit.
5. You qualify for the refundable credit for prior year minimum tax. See Form 8801, Credit for Prior Year Minimum Tax — Individuals, Estates, and Trusts. (out of scope)
6. You qualify for a refundable American Opportunity Credit.
7. You receive a 1099-B and the gross proceeds plus other income exceeds the filing limits in Chart A.
8. You receive Form 1099-S, Proceeds From Real Estate Transactions.
9. You qualify for the federal tax on fuels (out of scope).
10. You are required to file a state return.
11. You qualify for the Premium Tax Credit.

# Filing Status - Interview Tips

Probe/Action: Ask the taxpayer:

step <b>1</b>	Were you married on December 31 of the tax year? You are considered unmarried if, on the last day of the year, you were legally separated from your spouse under a divorce or separate maintenance decree. State law governs whether you are married or legally separated under a divorce or separate maintenance decree. Individuals who have entered into a registered domestic partnership, civil union, or other similar relationship that is not called a marriage under state (or foreign) law are not considered married. A taxpayer is married regardless of where the spouse lives.	If <b>YES</b> , go to Step 2. If <b>NO</b> , go to Step 4.
step <b>2</b>	Do you and your spouse wish to file a joint return?	If <b>YES</b> , your filing status is <b>married filing jointly</b> . If <b>NO</b> , go to Step 3. <sup>2</sup>
step <b>3</b>	Do all the following apply? <ul style="list-style-type: none"> <li>• You file a separate return from your spouse</li> <li>• You paid more than half the cost of keeping up your home for the required period of time.<sup>1</sup></li> <li>• Your spouse didn't live in your home during the last 6 months of the tax year<sup>3</sup></li> <li>• Your home was the main home of your child, stepchild, or foster child for more than half the year. Include any individual who would qualify as your dependent except: he or she does not meet the gross income test, does not meet the joint return test, or if you could be claimed as a dependent of another taxpayer. (a grandchild doesn't meet this test)</li> <li>• You claim an exemption for the child (unless the noncustodial parent claims the child under rules for divorced or separated parents or parents who live apart)</li> </ul>	If <b>YES</b> , STOP. You are considered unmarried and your filing status is <b>head of household</b> . If <b>NO</b> , STOP. Your filing status is <b>married filing separately</b> <sup>5</sup> .
step <b>4</b>	Did your spouse die in 2016 or 2017?	If <b>YES</b> , go to Step 5. If <b>NO</b> , go to Step 6.
step <b>5</b>	Do all the following apply? <ul style="list-style-type: none"> <li>• You were entitled to file a joint return with your spouse for the year your spouse died</li> <li>• You didn't remarry before the end of this tax year</li> <li>• You have a child or stepchild who lived with you all year, except for temporary absences or other limited exceptions, and who is your dependent or who would qualify as your dependent except that: he or she does not meet the gross income test, does not meet the joint return test, or except that you may be claimed as a dependent by another taxpayer. Don't include a grandchild or foster child.</li> <li>• You paid more than half the cost of keeping up the home for the required period of time.<sup>1</sup></li> </ul>	If <b>YES</b> , STOP. Your filing status is <b>qualifying widow(er) with dependent child</b> . If <b>NO</b> , go to Step 6.
step <b>6</b>	Do both of the following apply? <ul style="list-style-type: none"> <li>• You paid more than 1/2 the cost of keeping up your home for the required period of time.<sup>1</sup></li> <li>• A "qualifying person," (see Who Is a Qualifying Person Qualifying You To File as Head of Household? chart), lived with you in your home for more than 1/2 the year.<sup>4</sup></li> </ul>	<b>YES</b> – Head of Household <b>NO</b> – Single

## Footnotes

<sup>1</sup> Include in the cost of upkeep expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities and food eaten in the home. Under proposed regulations, a taxpayer may treat a home's fair market rental value as a cost of maintaining a household instead of the sum of payments for mortgage interest, property taxes and insurance. See "Cost of Keeping Up a Home" worksheet later in this tab.

<sup>2</sup> You are considered unmarried for head of household purposes if your spouse was a nonresident alien at any time during the year and you do not choose to treat your nonresident spouse as a resident alien. However, your spouse is not a qualifying person for head of household purposes. You must have another qualifying person (see the Who Is a Qualifying Person Qualifying You To File as Head of Household? chart later in this tab) and meet the other tests to be eligible to file as a head of household.

<sup>3</sup> The term "considered unmarried" refers to a taxpayer who has been deserted or abandoned by their spouse and is therefore no longer part of a functioning marital unit. Your spouse is considered to live in your home even if he or she is temporarily absent due to illness, education, business, vacation, military service, or incarceration.

<sup>4</sup> You can't use head of household filing status based on any person who is your dependent only because he or she lived with you for the entire year (for example, a companion or a friend).

<sup>5</sup> If filing a MFS return in a community property state, allocate income and expense according to state law. May be treated as out of scope

# Who Is a Qualifying Person Qualifying You To File as Head of Household?<sup>1</sup>

DON'T use this chart alone. Use as directed by the interview tips on the previous page.

IF the person is your . . .	AND . . .	THEN that person is . . .
qualifying child (such as a son, daughter, or grandchild who lived with you more than half the year and meets certain other tests) <sup>2</sup>	he or she is single	a qualifying person, whether or not you can claim the person as a dependent.
	he or she is married <u>and</u> you can claim him or her as a dependent	a qualifying person.
	he or she is married <u>and</u> you can't claim him or her as a dependent	not a qualifying person. <sup>3</sup>
qualifying relative <sup>4</sup> who is your father or mother	you can claim him or her as a dependent <sup>5</sup>	a qualifying person. <sup>6</sup>
	you can't claim him or her as a dependent	not a qualifying person.
qualifying relative <sup>4</sup> other than your father or mother.	he or she lived with you more than half the year, <u>and</u> you can claim him or her as a dependent, <u>and</u> is one of the following: son, daughter, stepchild, foster child, or a descendant of any of them; your brother, sister, half-brother, half-sister or a son or daughter of any of them; an ancestor or sibling of your father or mother; or stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law <sup>5</sup>	a qualifying person.
	he or she didn't live with you more than half the year	not a qualifying person.
	he or she isn't related to you in one of the ways listed above <u>and</u> is your qualifying relative only because he or she lived with you all year as a member of your household (for example, a companion or a friend)	not a qualifying person.
	you can't claim him or her as a dependent	not a qualifying person.

## Footnotes

<sup>1</sup> A person can't qualify more than one taxpayer to use the head of household filing status for the year.

<sup>2</sup> The term "qualifying child" is covered in Tab C, Dependents. Note: If you are a noncustodial parent, the term "qualifying child" for head of household filing status doesn't include a child who is your dependent only because of the rules described under Children of divorced or separated parents. If you are the custodial parent and those rules apply, the child generally is your qualifying child for head of household filing status even though the child isn't a qualifying child who you can claim as a dependent.

<sup>3</sup> This person is a qualifying person if the only reason you can't claim him or her as a dependent is that you can be claimed as a dependent on someone else's return.

<sup>4</sup> The term "qualifying relative" is covered in Tab C, Dependents.

<sup>5</sup> If you can claim a person as a dependent only because of a multiple support agreement, that person isn't a qualifying person. See Multiple Support Agreement, in Publication 17.

<sup>6</sup> You are eligible to file as head of household even if your parent, whom you can claim as a dependent, doesn't live with you. You must pay more than half the cost of keeping up a home that was the main home for the entire year for your parent. This test is met if you pay more than half the cost of keeping your parent in a rest home or home for the elderly.

# Overview of the Rules for Claiming a Dependent



This table is only an overview of the rules. For details, see Publication 17, Your Federal Income for Individuals.

- You can't claim any dependents if you, or your spouse if filing jointly, could be claimed as a dependent by another taxpayer.
- You can't claim a married person who files a joint return as a dependent unless that joint return is only to claim a refund of income tax withheld or estimated tax paid.
- You can't claim a person as a dependent unless that person is a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico.<sup>1</sup>
- You can't claim a person as a dependent unless that person is your **qualifying child** or **qualifying relative**.

## Tests To Be a Qualifying Child

## Tests To Be a Qualifying Relative

1. The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them.	1. The person can't be your qualifying child or the qualifying child of any other taxpayer. A child isn't the qualifying child of any other taxpayer if the child's parent (or any other person for whom the child is defined as a qualifying child) isn't required to file an income tax return or files an income tax return only to get a refund of income tax withheld.
2. The child must be: (a) under age 19 at the end of the year and younger than you (or your spouse, if filing jointly), (b) under age 24 at the end of the year, a full-time student, and younger than you (or your spouse, if filing jointly), or (c) any age if permanently and totally disabled.	2. The person either (a) must be related to you in one of the ways listed under Relatives who don't have to live with you (see Table 2, step 2), or (b) must live with you all year as a member of your household <sup>2</sup> (and your relationship must not violate local law).
3. The child must have lived with you for more than half of the year. <sup>2</sup>	3. The person's gross income for the year must be less than \$4,150. <sup>3</sup> Gross income means all income the person received in the form of money, goods, property and services, that isn't exempt from tax. Don't include social security benefits unless the person is married filing a separate return and lived with their spouse at any time during the tax year or if 1/2 the social security benefits plus their other gross income and tax exempt interest is more than \$25,000 (\$32,000 if MFJ).
4. The child must not have provided more than half of his or her own support for the year. <sup>5</sup>	4. You must provide more than half of the person's total support for the year. <sup>4, 5</sup>
5. The child isn't filing a joint return for the year (unless that joint return is filed only to claim a refund of income tax withheld or estimated tax paid).	
6. If the child meets the rules to be a qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child. See the "Qualifying Child of More Than One Person" chart.	

## Footnotes

<sup>1</sup> There is an exception for certain adopted children.

<sup>2</sup> There are exceptions for temporary absences, children who were born or died during the year, children of divorced or separated parents or parents who live apart, and kidnapped children. If you obtained a final decree of divorce or separate maintenance during the year, you can't take your former spouse's exemption. This rule applies even if you provided all of your former spouse's support.

<sup>3</sup> There is an exception if the person is disabled and has income from a sheltered workshop.

<sup>4</sup> There are exceptions for multiple support agreements, children of divorced or separated parents or parents who live apart, and kidnapped children.

<sup>5</sup> A worksheet for determining support is provided later in this tab. If a person receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the person. Benefits provided by the state to a needy person are generally considered support provided by the state. A proposed rule on which taxpayers may choose to rely treats governmental payments made to a recipient that the recipient uses, in part, to support others as support of the others provided by the recipient, whereas any part of such payment used for the support of the recipient would constitute support of the recipient by a third party. For example, if a mother receives Temporary Aid to Needy Families (TANF) and uses the TANF payments to support her children, the proposed regulations treat the mother as having provided that support.

# Qualifying Child of More Than One Person

## Tiebreaker Rules

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If the child meets the conditions to be the qualifying child of more than one person, only one person can claim the child as a qualifying child dependent for all tax benefits associated with an exemption unless the special rule for children of divorced or separated parents applies<sup>1</sup>.

- Credit for other dependents
  - Head of Household
  - Credit for Child and Dependent Care Expenses
  - Child Tax Credit
  - Earned Income Credit
  - Exclusion from income for Dependent Care Benefits
- 

**No other person can take any of the six tax benefits listed above unless he or she has a different qualifying child. To determine which person can treat the child as a qualifying child to claim these six tax benefits, the following tiebreaker rules apply. Subject to these tiebreaker rules, the taxpayer and the other person may be able to choose which person claims the child as a qualifying child.**

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If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.

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If the parents file a joint return together and can claim the child as a qualifying child, the child is treated as the qualifying child of the parents.

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If the parents don't file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time during the year. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for the year.

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If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for the year.

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If a parent can claim the child as a qualifying child but no parent claims the child, the child is treated as the qualifying child of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child. If the child's parents file a joint return with each other, this rule can be applied by dividing the parents' combined AGI equally between the parents.

**Example:** Your daughter meets the conditions to be a qualifying child for both you and your mother. Under the rules above, you are entitled to treat your daughter as a qualifying child for all of the six tax benefits listed above for which you otherwise qualify. Your mother isn't entitled to take any of the six tax benefits listed above unless she has a different qualifying child. However, if your mother's AGI is higher than yours, you can let your mother treat your daughter as her qualifying child. If you do that, your daughter isn't your qualifying child for any of the six benefits. For more details and examples, see Publications 17 and 501.

## Footnote

<sup>1</sup> When the special rule for children of divorced or separated parents applies (see Table 3, later in this tab) and the non-custodial parent claims the child as a dependent, the non-custodial parent may also claim the child tax credit and any educational benefit, if all other rules are met. The custodial parent should enter the child as a non-dependent in the software (see software entries in Tab B, Starting a Return and Filing Status), because they may be eligible for the EIC, Child and Dependent Care Credit, Exclusion from income for Dependent Care Benefits and Head of Household filing status.

# Table 1: All Dependents

Begin with this table to determine both Qualifying Child and Qualifying Relative dependents.

Probe/Action: Ask the taxpayer:

step <b>1</b>	Can you or your spouse (if filing jointly) be claimed as a dependent on another taxpayer's tax return this year?	If <b>YES</b> : If you can be claimed as a dependent by another taxpayer, you may not claim anyone else as your dependent. If <b>NO</b> : Go to Step 2
step <b>2</b>	Was the person married as of December 31, 2018?	If <b>YES</b> : Go to Step 3 If <b>NO</b> : Go to Step 4
step <b>3</b>	Is the person filing a joint return for this tax year? <i>(Answer "NO" if the person is filing a joint return only to claim a refund of income tax withheld or estimated tax paid.)</i>	If <b>YES</b> : You can't claim this person as a dependent. If <b>NO</b> : Go to Step 4
step <b>4</b>	Was the person a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico? <i>(Answer "YES" if you are a U.S. citizen or U.S. national and you adopted a child who lived with you as a member of your household all year.)</i>	If <b>YES</b> : Go to Step 5 If <b>NO</b> : You can't claim this person as a dependent.
step <b>5</b>	Was the person your son, daughter, stepchild, eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (i.e., your grandchild, niece, or nephew)?	If <b>YES</b> : Go to Step 6 If <b>NO</b> : This person isn't your qualifying child. Go to Table 2: Qualifying Relative Dependents
step <b>6</b>	Was the person: -under age 19 at the end of the year and younger than you <i>(or your spouse, if filing jointly)</i> OR -under age 24 at the end of the year, a full-time student (see definition in the glossary) and younger than you <i>(or your spouse, if filing jointly)</i> OR -any age if permanently and totally disabled <sup>1</sup> at any time during the year?	If <b>YES</b> : Go to Step 7 If <b>NO</b> : This person isn't your qualifying child. Go to Table 2: Qualifying Relative Dependents
step <b>7</b>	Did the person live with you as a member of your household, except for temporary absences <sup>2</sup> , for more than half the year? <i>(Answer "YES" if the child was born or died during the year.)</i>	If <b>YES</b> : Go to Step 8 (Use Table 3 to see if the exemption for children of divorced or separated parents or parents who live apart applies.) If <b>NO</b> : This person isn't your qualifying child. Go to Table 2: Qualifying Relative Dependents
step <b>8</b>	Did the person provide more than half of his or her own support <sup>3</sup> for the year?	If <b>YES</b> : You can't claim this person as a dependent If <b>NO</b> : Go to Step 9
step <b>9</b>	Is the person a qualifying child of any other taxpayer?	If <b>YES</b> : Go to the chart: Qualifying Child of More Than One Person If <b>NO</b> : You can claim this person as a dependent

## Footnotes

<sup>1</sup> A person is permanently and totally disabled if he or she can't engage in any substantial gainful activity because of a physical or mental condition, AND a doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

<sup>2</sup> A child is considered to have lived with you during periods of time when one of you, or both, are temporarily absent due to illness, education, business, vacation, military service, institutionalized care for a child who is permanently and totally disabled, or incarceration. In most cases a child of divorced or separated parents is the qualifying child of the custodial parent. See Table 3: Children of Divorced or Separated Parents or Parents Who Live Apart to see if an exception applies. There is an exception for kidnapped children. See Publication 17.

<sup>3</sup> A worksheet for determining support is included later in this tab. If a child receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the child. Benefits provided by the state to a needy person (welfare, food stamps, housing, SSI) are generally considered support provided by the state.

## Table 2: Qualifying Relative Dependents

**You must start with Table 1.** (To claim a qualifying relative dependent, you must first meet the Dependent Taxpayer, Joint Return and Citizen or Resident Tests in steps 1-4 of Table 1)

Probe/Action: Ask the taxpayer:

step <b>1</b>	Is the person your qualifying child or the qualifying child of any other taxpayer? A child isn't the qualifying child of any other taxpayer if the child's parent (or any other person for whom the child is defined as a qualifying child) isn't required to file a U.S. income tax return or files an income tax return only to get a refund of income tax withheld.	If <b>YES</b> , the person isn't a qualifying relative. (See Table 1: All Dependents) If <b>NO</b> , go to Step 2.
step <b>2</b>	Was the person your son, daughter, stepchild, foster child, or a descendant of any of them (i.e., your grandchild)? OR Was the person your brother, sister, half-brother, half-sister, or a son or daughter of any of them? OR Was the person your father, mother, or an ancestor or sibling of either of them? OR Was the person your stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law? <sup>1</sup>	If <b>NO</b> , go to Step 3. If <b>YES</b> , go to Step 4.  <b>Note:</b> The relatives listed in Step 2 are considered "Relatives who don't have to live with you" <b>Note:</b> To enter into TaxSlayer a qualifying relative who did not live with the taxpayer more than 6 months, choose "Other reasons" from the months dropdown menu.
step <b>3</b>	Was the person any other person (other than your spouse) who lived with you all year as a member of your household? <sup>2</sup>	If <b>NO</b> , you can't claim this person as a dependent. If <b>YES</b> , go to Step 4. <b>Note:</b> There are exceptions for kidnapped children; a child who was born or died during the year; certain temporary absences— school, vacation, medical care, etc. <b>Divorced or separated spouse.</b> If you obtained a final decree of divorce or separate maintenance during the year, you can't take your former spouse's exemption. This rule applies even if you provided all of your former spouse's support.
step <b>4</b>	Did the person have gross income of less than \$4,150 in 2018? <sup>3</sup>	If <b>NO</b> , you can't claim this person as a dependent. If <b>YES</b> , go to Step 5.

continued on next page

### Footnotes

<sup>1</sup> Any of these relationships that were established by marriage aren't ended by death or divorce.

<sup>2</sup> A person doesn't meet this test if at any time during the year the relationship between you and that person violates local law.

<sup>3</sup> For purposes of this test, the gross income of an individual who is permanently and totally disabled at any time during the year doesn't include income for services the individual performs at a sheltered workshop.

Gross income means all income the person received in the form of money, goods, property and services, that isn't exempt from tax. Don't include social security benefits unless the person is married filing a separate return and lived with their spouse at any time during the tax year or if 1/2 the social security benefits plus their other gross income and tax exempt interest is more than \$25,000 (\$32,000 if MFJ).

## Table 2: Qualifying Relative Dependents

Continued

Probe/Action: Ask the taxpayer:

step <b>5</b>	Did you provide more than half the person's total support for the year? <sup>4</sup>	If <b>YES</b> , you can claim this person as your qualifying relative dependent. (Use Table 3 to see if the exception for children of divorced or separated parents or parents who live apart applies.) If <b>NO</b> , go to Step 6.
step <b>6</b>	Did another person provide more than half the person's total support?	If <b>YES</b> , you can't claim this person as a dependent. If <b>NO</b> , go to Step 7.
step <b>7</b>	Did two or more people, each of whom would be able to take the exemption but for the support test, together provide more than half the person's total support?	If <b>YES</b> , go to Step 8. If <b>NO</b> , you can't claim this person as a dependent.
step <b>8</b>	Did you provide more than 10% of the person's total support for the year?	If <b>YES</b> , go to Step 9. If <b>NO</b> , you can't claim this person as a dependent.
step <b>9</b>	Did the other person(s) providing more than 10% of the person's total support for the year provide you with a signed statement agreeing not to claim the dependent?	If <b>YES</b> , you can claim this person as a dependent. You must file Form 2120 with your return. If <b>NO</b> , you can't claim this person as a dependent.

### Footnote

<sup>4</sup> A worksheet for determining support is included at the end of this section.

See Table 3 for the exception to the support test for children of divorced or separated parents or parents who live apart.

If a child receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the child. Benefits provided by the state to a needy person are generally considered support provided by the state. A proposed rule, on which taxpayers may choose to rely, treats governmental payments made to a recipient that the recipient uses, in part, to support others as support of the others provided by the recipient, whereas any part of such payment used for the support of the recipient would constitute support of the recipient by a third party. For example, if a mother receives TANF and uses the TANF payments to support her children, the proposed regulations treat the mother as having provided that support.

# Table 3: Children of Divorced or Separated Parents or Parents Who Live Apart

Use this table when directed from Table 1 or Table 2 to determine if the exception applies to the qualifying child residency test or the qualifying relative support test

Probe/Action: Ask the taxpayer:

<p>step <b>1</b></p>	<p>Did the child receive over half of his or her support from the parents who are:            Divorced OR            Legally separated under a decree of divorce or separate maintenance OR            Separated under a written separation agreement OR            Lived apart at all times during the last 6 months of the year?</p>	<p>If <b>YES</b>, go to Step 2.            If <b>NO</b>, Table 3 doesn't apply.</p>
<p>step <b>2</b></p>	<p>Was the child in the custody of one or both parents for more than half the year?<sup>1</sup></p>	<p>If <b>YES</b>, go to Step 3.            If <b>NO</b>, Table 3 doesn't apply.</p>
<p>step <b>3</b></p>	<p>Did the custodial parent (parent with whom the child lived for the greater number of nights during the year) provide the taxpayer a signed written declaration (Form 8332, a copy of Form 8332, or similar document) releasing his or her claim to the exemption for the child?</p>	<p>If <b>YES</b>, the Table 3 exception applies.<sup>2</sup>            Return to the appropriate step in Table 1 or Table 2.            If <b>NO</b>, go to Step 4.</p>
<p>step <b>4</b></p>	<p>Are either of the following statements true?            The taxpayer has a Post-1984 and Pre-2009 decree<sup>3</sup> or agreement that is applicable for the current tax year and states <i>all three of the following</i>?</p> <ol style="list-style-type: none"> <li>1. The noncustodial parent can claim the child as a dependent without regard to any condition, such as payment of support.</li> <li>2. The other parent won't claim the child as a dependent for the year.</li> <li>3. The years for which the noncustodial parent can claim the child as a dependent.</li> </ol> <p style="text-align: center;">OR</p> <p>The taxpayer has a Pre-1985 decree of divorce or separation maintenance or written separation agreement between the parents that provide that the noncustodial parent can claim the child as a dependent, and the noncustodial parent provides at least \$600 for support of the child during the current tax year?</p>	<p>If <b>YES</b>, the Table 3 exception applies.            Return to the appropriate step in Table 1 or Table 2.            If <b>NO</b>, Table 3 doesn't apply.</p>

## Footnotes

<sup>1</sup> If the child is emancipated under state law, either by reaching age of majority or other means, child is treated as not living with either parent (see Pub 17).

<sup>2</sup> **Post-2008 decree or agreement.** If the divorce decree or separation agreement went into effect after 2008, the noncustodial parent can't attach pages from the decree or agreement instead of Form 8332. The custodial parent must sign, and the noncustodial parent must attach to his or her return, either Form 8332, or a copy of Form 8332 or a substantially similar statement the only purpose of which is to release the custodial parent's claim to a child. For an e-filed return, attach and submit the Form 8332 with Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return.

<sup>3</sup> **Post-1984 and Pre-2009 divorce decrees or agreements:**

The noncustodial parent must attach all of the following pages from the decree or agreement.

- Cover page (include the other parent's SSN on that page)
- The pages that include all the information identified in (1) through (3) above
- Signature page with the other parent's signature and date of agreement.

## Release of exemption revoked

A custodial parent who has revoked his or her previous release of a claim to exemption for a child must attach a copy of the revocation to his or her return. For the revocation to be effective for current tax year, the custodial parent must have given (or made reasonable efforts to give) written notice of the revocation to the noncustodial parent in the prior tax year or earlier. (See Form 8332 for more details)

**Other decrees or agreements that don't meet step 4:** Non-custodial parents must attach the Form 8332, or a copy of Form 8332 or similar statement to their return.

# Income Quick Reference Guide

This list is a quick reference and volunteers should refer to Publication 17 for more information. Don't rely on this list alone. **Some of the income items on this chart are out of scope for VITA/TCE.** Refer taxpayers with out of scope income to a professional tax preparer. Confirm that all income received by the taxpayer has been discussed and shown on the return, if required.

## Table A – Examples of Taxable Income

(Examples of income to consider when determining whether a return must be filed or if a person meets the gross income test for qualifying relative)

Wages, salaries, bonuses, commissions	Military pension
Alimony	Nonemployee compensation
Annuities	Notary fees
Awards	Partnership, Estate and S-Corporation income ( <i>Schedule K-1s, Taxpayer's share</i> )
Back pay	Pensions
Breach of contract payment	Prizes
Business income/Self-employment income	Punitive damage award
Cash income	Railroad retirement—Tier I (portion may be taxable)
Compensation for personal services	Railroad retirement—Tier II
Debts forgiven <sup>1</sup>	Recovery of prior year deduction <sup>2</sup> (medical, property taxes, etc.)
Director's fees	Refunds of State and local income tax (if reportable) <sup>2</sup>
Disability benefits (employer-funded)	Rents (gross rent)
Discounts	Rewards
Dividends	Royalties
Employee awards	Severance pay
Employee bonuses	Self-employment (gross income)
Estate and trust income	Social security benefits - portion may be taxable - ( <i>See Income tab, Railroad Retirement, Civil Service, and Social Security Benefits</i> )
Farm income	Supplemental unemployment benefits
Fees	Taxable scholarships and grants
Gains from sale of property or securities	Tips and gratuities
Gambling winnings	Tribal per capita payments
Hobby income	Unemployment compensation
Interest	
Interest on life insurance dividends	
IRA distributions	
Jury duty fees	
Military pay (not exempt from taxation)	

## Table B – Examples of Nontaxable Income

(Examples of income items to exclude when determining whether a return must be filed)

Aid to Families with Dependent Children (AFDC)	Payments to the beneficiary of a deceased employee
Child support	Payments in lieu of worker's compensation
Civil damages, restitution or other monetary award paid to someone because that person was wrongfully incarcerated	Qualified Medicaid waiver payments
Damages for physical injury (other than punitive)	Relocation payments
Death payments	Rebate/Patronage Dividends issued by co-ops for personal use are not taxable.
Dividends on life insurance	Rental less than 15 days <sup>5</sup>
Federal Employees' Compensation Act payments	Rental allowance of clergyman
Federal income tax refunds	Reverse mortgages
Gifts	Sickness and injury payments
Inheritance <sup>3</sup> or bequest	Social security benefits - portion may not be taxable ( <i>See Income tab, Railroad Retirement, Civil Service, and Social Security Benefits</i> )
Insurance proceeds (Accident, Casualty, Health, Life)	Supplemental Security Income (SSI)
Interest on tax-free securities	Temporary Assistance for Needy Families (TANF)
Interest on EE/I bonds redeemed for qualified higher education expenses	Veterans' benefits
Meals and lodging for the convenience of employer	Welfare payments (including TANF) and food stamps
Olympic and Paralympic Games medals and prizes <sup>4</sup>	Worker's compensation and similar payments

### Footnotes

<sup>1</sup> If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to their main home, it can be nontaxable

<sup>2</sup> If itemized in year paid and taxes were reduced because of deduction

<sup>3</sup> An inheritance isn't reported on the income tax return, but a distribution from an inherited pension or annuity is subject to the same tax as the original owner would have had to pay.

<sup>4</sup> The exclusion does not apply to a taxpayer for any year in which the taxpayer's AGI exceeds \$1 million (or \$500,000 for an individual filing a MFS return).

<sup>5</sup> If you use a dwelling unit as a home and you rent it less than 15 days during the year, you are not required to report the rental income and rental expenses from this activity. See Publication 527 (Military Certification only)

# Standard Deduction

This chart provides the standard deduction amounts for tax year 2018.

Standard Deduction Chart for Most People*	
If the taxpayer's filing status is...	Your standard deduction is ...
Single or married filing separate return	\$12,000
Married filing joint return or qualifying widow(er) with dependent child	\$24,000
Head of household	\$18,000

\*Don't use this chart if the taxpayer was born before January 2, 1954, or is blind, or if someone can claim the taxpayer as a dependent (or their spouse if married filing jointly). (See the chart on the following page.)

## Persons Not Eligible for the Standard Deduction

Your standard deduction is zero and you should itemize any deductions you have if:

- Your filing status is married filing separately, and your spouse itemizes deductions on his or her return,
- You are filing a tax return for a short tax year because of a change in your annual accounting period (out of scope), or
- You are a nonresident or dual-status alien during the year. You are considered a dual-status alien if you were both a nonresident and resident alien during the year (out of scope).
- If you are a nonresident alien who is married to a U.S. citizen or resident alien at the end of the year, you can choose to be treated as a U.S. resident. (See Publication 519, U.S. Tax Guide for Aliens.) If you make this choice, you can take the standard deduction.

**Note:** If you can be claimed as a dependent on another taxpayer's return (such as your parents' return), your standard deduction may be limited.

# Standard Deduction (continued)

## Standard Deduction Chart for People Born Before January 2, 1954, or Who are Blind

Check the correct number of boxes below. Then go to the chart.

<b>You:</b>	Born before January 2, 1954	<input type="checkbox"/>	Blind	<input type="checkbox"/>
<b>Your spouse, if claiming spouse's exemption:</b>	Born before January 2, 1954	<input type="checkbox"/>	Blind	<input type="checkbox"/>
<b>Total number of boxes checked</b> <input type="checkbox"/>				
<b>IF your filing status is...</b>	<b>AND the number in box above is...</b>	<b>THEN your standard deduction is...</b>		
<b>Single</b>	1	\$13,600		
	2	\$15,200		
<b>Married filing jointly or Qualifying widow(er) with dependent child</b>	1	\$25,300		
	2	\$26,600		
	3	\$27,900		
	4	\$29,200		
<b>Married filing separately</b>	1	\$13,300		
	2	\$14,600		
	3	\$15,900		
	4	\$17,200		
<b>Head of household</b>	1	\$19,600		
	2	\$21,200		

\*If someone else can claim you (or your spouse if filing jointly) as a dependent, use standard deduction worksheet for dependents.

## Standard Deduction Worksheet for Dependents

Use this worksheet only if someone else can claim you (or your spouse if filing jointly) as a dependent.

Check the correct number of boxes below. Then go to the worksheet.

<b>You:</b>	Born before January 2, 1954	<input type="checkbox"/>	Blind	<input type="checkbox"/>
<b>Your spouse, if claiming spouse's exemption:</b>	Born before January 2, 1954	<input type="checkbox"/>	Blind	<input type="checkbox"/>
<b>Total number of boxes checked</b> <input type="checkbox"/>				
<b>1.</b> Enter your earned income (defined below). If none, enter -0-.				<b>1.</b>
<b>2.</b> Additional amount.				<b>2.</b> \$350
<b>3.</b> Add lines 1 and 2.				<b>3.</b>
<b>4.</b> Minimum standard deduction.				<b>4.</b> \$1,050
<b>5.</b> Enter the larger of line 3 or line 4.				<b>5.</b>
<b>6.</b> Enter the amount shown below for your filing status. <input type="checkbox"/> Single or Married filing separately—\$12,000 <input type="checkbox"/> Married filing jointly—\$24,000 <input type="checkbox"/> Head of household—\$18,000				<b>6.</b>
<b>7. Standard deduction.</b>				
<b>a.</b> Enter the smaller of line 5 or line 6. If born after January 1, 1954, and not blind, stop here. This is your standard deduction. Otherwise, go on to line 7b.				<b>7a.</b>
<b>b.</b> If born before January 2, 1954, or blind, multiply \$1,600 (\$1,300 if married) by the number in the box above.				<b>7b.</b>
<b>c.</b> Add lines 7a and 7b. This is your standard deduction for 2018.				<b>7c.</b>
Earned income includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. See Tab I, Earned Income Credit, for a list of earned income.				

# Child and Dependent Care Credit Expenses

Probe/Action: To determine if a taxpayer qualifies for the Credit for Child and Dependent Care Expenses, ask the taxpayer for information from the screening sheet on the next page.

## Who is a qualifying person?

- A qualifying child who was under the age of 13 when the expenses were incurred and who can be claimed as a dependent, see the first caution below.
- Any person who was incapable of self-care whom the taxpayer can claim as a dependent or could've been claimed as a dependent except that the person had gross income of more than \$4,150 or filed a joint return or that the taxpayer or spouse, if married filing jointly, could be claimed as a dependent on someone else's 2018 return.
- A spouse who was physically or mentally incapable of self-care.

The qualifying person must live with the taxpayer more than 1/2 the year.

Incapable of self-care - persons who can't dress, clean, or feed themselves. Also, persons who must have constant attention to prevent them from injuring themselves or others.

See Publication 17, Child and Dependent Care Credit, for special rules regarding divorced or separated parents or parents who live apart.

## Qualified work-related expenses

- Expenses must be paid for the care of the qualifying person to allow the taxpayer and spouse, if married, to work or look for work.
- The care includes the costs of services for the qualifying person's well-being and protection.
- Expenses to attend kindergarten or a higher grade aren't an expense for care.
- Expenses for summer day-camp are qualifying, but those for overnight camp aren't.

Refer to Tab C, Dependents, for the rules governing who may be claimed as a dependent.



Only the custodial parent may claim the child and dependent care credit even if the child is being claimed as a dependent by the non-custodial parent under the rules for divorced or separated parents.



If Dependent Care Benefits are listed in Box 10 of a Form W-2, then the taxpayer MUST complete Form 2441 Child and Dependent Care Expenses. If Form 2441 isn't completed, the Box 10 amount is added as taxable wages.

**Note:** If the qualifying child turned 13 during the tax year, the qualifying expenses include amounts incurred for the child while under age 13 when the care was provided.

# Retirement Savings Contributions Credit – Screening Sheet

To determine if a taxpayer qualifies for the Credit for Qualified Retirement Savings Contributions, review the return information and ask the taxpayer the following:

step <b>1</b>	Did you make a voluntary contribution or deferral to an IRA or other qualified plan for 2018? <sup>1</sup>	<b>YES</b> – Go to Step 2 <b>NO</b> – Not qualified for credit
step <b>2</b>	Is AGI \$31,500 or less (\$47,250 if head of household, \$63,000 if married filing jointly)?	<b>YES</b> – Go to Step 3 <b>NO</b> – Not qualified for credit
step <b>3</b>	Were you born before January 2, 2001?	<b>YES</b> – Go to Step 4 <b>NO</b> – Not qualified for credit
step <b>4</b>	Are you being claimed as a dependent on someone else's tax return for 2018?	<b>YES</b> – Not qualified for credit <b>NO</b> – Go to Step 5
step <b>5</b>	Were you a full-time student <sup>2</sup> during 2018?	<b>YES</b> – Not qualified for credit <b>NO</b> – Qualified for credit

## Footnotes

<sup>1</sup> Plans that qualify are listed in the Other Credits chapter of Publication 17. Answer yes if the taxpayer will make a qualifying IRA contribution for tax year 2018 by the due date of the return.

<sup>2</sup> You were a student if during any part of 5 calendar months of 2018 you:

- Were 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 technical, trade and mechanical schools. It does not include on-the job training courses, correspondence schools, or schools offering courses only through the Internet.

## Important Reminders for Retirement Savings Contributions Credit

- Be sure to look at the taxpayer's Form(s) W-2. An entry in box 12 or an "X" in the Retirement box is an indicator that the taxpayer may be eligible for this credit. A full description of all codes used in box 12 can be found in Instructions for Forms W-2 and W-3.
- An entry in box 14 on the Form W-2 may also indicate a contribution to a state retirement system. In TaxSlayer, if the contribution qualifies, from the drop down menu in Box 14 of Form W-2, select retirement (not in Box 12) carry to Form 8880, Credit for Qualified Retirement Savings Contributions.



If these are treated as employer contributions they aren't eligible for the credit. See Form W-2 Instructions.

- When using tax software, remember to key in all entries as they appear on the Form W-2.
- A contribution to a Traditional or Roth IRA qualifies for this credit, but may not appear on any taxpayer document. Remember to review the expenses section on page 2 of the Form 13614-C, Intake/Interview & Quality Review Sheet, and ask taxpayers if they made any IRA contributions.
- Some distributions reduce the eligible contributions for this credit. In addition to distributions for the current year as shown on Forms 1099-R, be sure to ask about distributions in the prior two years and up to the due date of the return.
- See the note on the next page for a list of distributions that don't reduce the eligible contributions for this credit.
- Form 8880 is used to claim this credit.
- If taxpayer (or spouse if MFJ) is a full-time student, be sure to mark it in the Personal Information Section in the software. This credit is not available to full-time students.

# Child Tax Credit

This is a credit intended to reduce the tax. This part of the credit isn't refundable. The credit is up to \$2,000 per qualifying child.

## Qualifying child:

1. Under age 17 at the end of the tax year.
2. A U.S. citizen or U.S. national\* or resident alien of the United States. See Tab L, Resident/NR Alien.
3. Claimed as your dependent.\*\*
4. Your:
  - a. son or daughter, adopted child, stepchild, eligible foster child, or a descendant of any of them
  - b. brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew)
5. Didn't provide over half of his or her own support.
6. Lived with the taxpayer for more than half of the tax year. (See Exception to Time Lived with You section on the Child Tax Credit chart on the following page.)
7. Must have a valid social security number by the due date of the return

\* A National is an individual who, although not a U.S. citizen, owes his or her allegiance to the United States. U.S. nationals include American Samoans and Northern Mariana Islanders who chose to become U.S. nationals instead of U.S. citizens.

\*\*Refer to the tables in Tab C, Dependents, for the rules governing who may be claimed as a dependent.



If the taxpayer is able to claim the dependent under the rules for divorced and separated parents, he or she is the only parent entitled to claim the child tax credit or additional child tax credit.

## Additional Child Tax Credit – General Eligibility

**Note:** Make sure the taxpayer's credit hasn't been disallowed previously. If previously disallowed, see Form 8862, Information To Claim Certain Refundable Credits After Disallowance in Tab I, Earned Income Credit.

The child tax credit is generally a nonrefundable credit; however, certain taxpayers may be entitled to a refundable additional child tax credit.

- Taxpayers with more than \$2,500 of taxable earned income may be eligible for the additional child tax credit if they have at least one qualifying child.
- Taxpayers with three or more children may also be eligible for additional child tax credit regardless of their income.
- Limited to \$1,400 per qualifying child

Schedule 8812, Additional Child Tax Credit, is used to calculate the allowable additional child tax credit.

See Tab C, Dependents, and the worksheet in the instruction booklet for additional information (including definitions and special rules relating to an adopted child, foster child, or qualifying child of more than one person).

**Note:** No credit or refund for an overpayment for a taxable year shall be made to a taxpayer before the 15th day of the second month following the close of the taxable year (generally February 15th) if the taxpayer claimed the EITC or additional child tax credit on the tax return.

**Note:** The qualifying child must now have a valid social security number by the due date of the tax return (including extensions). Taxpayers may not file an amended return to retroactively claim the additional child tax credit for a qualifying child if a valid SSN for the child is issued after the due date of the tax return.

**Note: You must claim the child as a dependent on your return to qualify for the Child Tax Credit**

**Note: (International Certification only)** If you claim the foreign earned income exclusion, the housing exclusion, or the housing deduction on Form 2555 or Form 2555-EZ, you can't claim the additional child tax credit.

**Note:** See Disallowance of Certain Refundable Credits in Tab I, Earned Income Credit, if the taxpayer received a letter saying they had to complete Form 8862.

# Credit for Other Dependents

There is a \$500 credit for other dependents who do not qualify for the \$2,000 child tax credit. The dependent must be a U.S. citizen, U.S. national, or resident of the U.S. The dependent must have a valid identification number (ATIN, ITIN, or SSN).

The \$500 nonrefundable credit is available for dependents who don't qualify for the child tax credit, such as children who are age 17 and above or dependents with other relationships (such as elderly parents). Taxpayers cannot claim the credit for themselves (or a spouse if Married Filing Jointly).



Dependents who are residents of Canada or Mexico do not qualify for either the Child Tax Credit or the Credit for Other Dependents.



While there have been tax law changes this year, in many instances calculations take place “behind the scenes” and you will not see changes reflected in the entry screens. Follow the menus and prompts to enter current year tax information in the software.

# Types of Coverage Exemptions

This chart shows all of the coverage exemptions available for 2018, including information about where each can be obtained and the code that is to be used on Form 8965 when you claim the exemption. If your coverage exemption was granted by the Marketplace, you will need to enter the Exemption Certificate Number (ECN) provided by the Marketplace. For additional detail about the eligibility rules for the coverage exemptions that are claimed on the tax return, see the Instructions for Form 8965.

Coverage Exemption	Granted by Marketplace	Claimed on tax return	Code for Exemption
<b>Income below the filing threshold</b> — Your gross income or your household income was less than your applicable minimum threshold for filing a tax return.		✓	No Code See Part II
<b>Coverage considered unaffordable</b> — The required contribution is more than 8.05% of your household income		✓	A
<b>Short coverage gap</b> — You went without coverage for less than 3 consecutive months during the year. There is a look-back rule for gaps of coverage at the start of the year. See the Instructions for Form 8965 for details.		✓	B
<b>Citizens living abroad and certain noncitizens</b> — You were: <ul style="list-style-type: none"> <li>• A U.S. citizen or resident who was physically present in a foreign country or countries for at least 330 full days during any period of 12 consecutive months;</li> <li>• A U.S. citizen who was a bona fide resident of a foreign country or countries for an uninterrupted period that includes an entire tax year;</li> <li>• A bona fide resident of a U.S. territory;</li> <li>• A resident alien who was a citizen or national of a foreign country with which the U.S. has an income tax treaty with a nondiscrimination clause, and you were a bona fide resident of a foreign country for an uninterrupted period that includes an entire tax year;</li> <li>• Not lawfully present in the U.S. and not a U.S. citizen or U.S. national. For this purpose, an immigrant with Deferred Action for Childhood Arrivals (DACA) status is not considered lawfully present and therefore qualifies for this exemption. For more information about who is treated as lawfully present in the U.S. for purposes of this coverage exemption, visit Healthcare.gov; or</li> <li>• A nonresident alien, including (1) a dual-status alien in the first year of U.S. residency and (2) a nonresident alien or dual-status nonresident alien who elects to file a joint return with a U.S. spouse. This exemption doesn't apply if you are a nonresident alien for 2018, but met certain presence requirements and elected to be treated as a resident alien. For more information see Pub. 519.</li> </ul>		✓	C
<b>Members of a health care sharing ministry</b> — You were a member of a health care sharing ministry.		✓	D
<b>Members of Indian tribes</b> — You were either a member of a Federally-recognized Indian tribe, including an Alaska Native Claims Settlement Act (ANCSA) Corporation Shareholder (regional or village), or you were otherwise eligible for services through an Indian health care provider or the Indian Health Service.	*	✓	E
<b>Incarceration</b> — You were in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.		✓	F
<b>Aggregate self-only coverage considered unaffordable</b> — Two or more family members' aggregate cost of self-only employer-sponsored coverage was more than 8.05% of household income, as was the cost of any available employer-sponsored coverage for the entire family.		✓	G
<b>Resident of a state that did not expand Medicaid</b> — Your household income was below 138% of the federal poverty line for your family size and at any time in 2018 you resided in a state that didn't participate in the Medicaid expansion under the Affordable Care Act. See calculation on the following page.		✓	G
<b>Member of tax household born or adopted during the year</b> — The months before and including the month that an individual was added to your tax household by birth or adoption. You should claim this exemption only if you are also claiming another exemption on your Form 8965.		✓	H
<b>Member of tax household died during the year</b> — The months after the month that a member of your tax household died during the year. You should claim this exemption only if you are also claiming another exemption on your Form 8965		✓	H
<b>Members of certain religious sects</b> — The marketplace determined that you are a member of a recognized religious sect.	✓		Need ECN See Part I
<b>Ineligible for Medicaid based on a state's decision not to expand Medicaid coverage</b> — The marketplace found that you would have been determined ineligible for Medicaid solely because the state in which you resided didn't participate in Medicaid expansion under the Affordable Care Act.	✓		Need ECN See Part I
<b>General hardship</b> — The Marketplace determined that you experienced a hardship that prevented you from obtaining coverage under a qualified health plan.	✓		Need ECN See Part I
<b>Coverage considered unaffordable based on projected income</b> — The Marketplace determined that you didn't have access to coverage that is considered affordable based on your projected household income.	✓		Need ECN See Part I
<b>Certain Medicaid programs that are not minimum essential coverage</b> — The Marketplace determined that you were (1) enrolled in Medicaid coverage provided to a pregnant woman that is not recognized as minimum essential coverage; (2) enrolled in Medicaid coverage provided to a medically needy individual (also known as Spend-down Medicaid or Share-of-Cost Medicaid) that is not recognized as minimum essential coverage; or (3) enrolled in Medicaid coverage provided to a medically needy individual and were without coverage for other months because the spend-down had not been met.	✓		Need ECN See Part I

## Hardship Exemptions Granted by the Marketplace

1. Homelessness
2. Eviction in the last 6 months or facing eviction or foreclosure
3. Utility shut-off notice
4. Domestic violence
5. Recent death of a close family member
6. Disaster that resulted in significant property damage
7. Bankruptcy in the last 6 months
8. Significant debt from medical expense in the last 24 months
9. High expense caring for ill, disabled or aging relative
10. Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP
11. Through an appeals process, determined eligible for a Marketplace QHP, PTC, or CSR but was not enrolled
12. Determined ineligible for Medicaid because the state did not expand coverage
13. Individual health insurance plan was cancelled and you believe Marketplace plans are considered unaffordable
14. Other hardship in obtaining coverage

\* The coverage exemptions for members of Indian tribes is no longer granted by the Marketplace, except in Connecticut. See the Instructions for Form 8965 to claim the exemption.

# Summary of EIC Eligibility Requirements

Part A Rules for Everyone	Part B Rules If You Have a Qualifying Child	Part C Rules If You Don't Have a Qualifying Child
Taxpayers & qualifying children must all have SSN that is valid for employment by the due date of the return (including extensions). See Note below regarding other identification numbers.	Child must meet the relationship, age, residency test and joint return tests but not the support test. The child doesn't have to be your dependent.. If child is married, see Note below.	Must be at least age 25 but under age 65 as of December 31.*
Filing status can't be married filing separately.	Qualifying child can't be used by more than one person to claim the EIC.	Can't be the dependent of another person.
Must be a U.S. citizen or resident alien all year.	The taxpayer can't be a qualifying child of another person.	Must have lived in the United States more than half the year.
Can't file Form 2555 or Form 2555-EZ (relating to foreign earned income).		Can't be a qualifying child of another person.
Investment income must be \$3,500 or less.		
Can't be a qualifying child of another person.		

**Part D**  
**Earned Income and AGI Limitations**  
**You must have earned income to qualify for this credit.**

Your earned income and AGI must be less than:

- \$49,194 (\$54,884 for married filing jointly) if you have three or more qualifying children,
  - \$45,802 (\$51,492 for married filing jointly) if you have two qualifying children,
  - \$40,320 (\$46,010 for married filing jointly) if you have one qualifying child, or
  - \$15,270 (\$20,950 for married filing jointly) if you don't have a qualifying child.

\*Taxpayers turning 25 on January 1st are considered to be 25 as of December 31st. Taxpayers reaching the age 65 on January 1st are still considered to be 64 as of December 31st.

**Note:** To meet the joint return test, the child cannot file a joint return for the year unless it's to only claim a refund of income tax withheld or estimated tax paid.



**CAUTION** Taxpayers cannot file an amended return to claim the credit for a year they did not originally have a valid social security number.

**Other taxpayer identification number.** Taxpayer can't get the EIC if, instead of an SSN, taxpayer (or spouse, if filing a joint return) or dependent have an individual taxpayer identification number (ITIN). ITINs are issued by the IRS to noncitizens who can't get an SSN.

# EIC General Eligibility Rules

Probe/Action: Ask the taxpayer:

step 1	Calculate the taxpayer's earned income and adjusted gross income (AGI) for the tax year. Are both less than: <ul style="list-style-type: none"> <li>\$49,194 (\$54,884 married filing jointly) with three or more qualifying children;</li> <li>\$45,802 (\$51,492 married filing jointly) with two qualifying children;</li> <li>\$40,320 (\$46,010 married filing jointly) with one qualifying child; or</li> <li>\$15,270 (\$20,950 married filing jointly) with no qualifying children?</li> </ul>	If <b>YES</b> , go to Step 2. If <b>NO</b> , STOP. You can't claim the EIC.
step 2	Do you (and your spouse, if filing jointly) have a social security number (SSN) that allows you to work?*	If <b>YES</b> , go to Step 3. If <b>NO</b> , STOP. You can't claim the EIC.
	<b>Note:</b> Answer "no" if the taxpayer's social security card has a "NOT VALID FOR EMPLOYMENT" imprint, and if the cardholder obtained the SSN to get a federally funded benefit, such as Medicaid.	
step 3	Is your filing status married filing separately?	If <b>YES</b> , STOP. You can't claim the EIC. If <b>NO</b> , go to Step 4.
step 4	Are you (or your spouse, if married) a nonresident alien? <b>Note:</b> Answer "no" if the taxpayer is married filing jointly, and one spouse is a citizen or resident alien and the other is a nonresident alien.	If <b>YES</b> and you are either unmarried or married but not filing a joint return, STOP. You can't claim the EIC. If <b>NO</b> , go to Step 5.
step 5	Are you (or your spouse, if filing jointly) filing Form 2555 or Form 2555-EZ (Foreign Earned Income) to exclude income earned in a foreign country?	If <b>YES</b> , STOP. You can't claim the EIC. If <b>NO</b> , go to Step 6.
step 6	Is your investment income (interest, tax exempt interest, dividends, capital gains distributions & capital gains) more than \$3,500?	If <b>YES</b> , STOP. You can't claim the EIC. If <b>NO</b> , go to Step 7.
step 7	Are you (or your spouse, if filing jointly) the qualifying child of another taxpayer?	If <b>YES</b> , STOP. You can't claim the EIC. If <b>NO</b> , go to the interview tips for EIC—With a Qualifying Child or EIC—Without a Qualifying Child.

**Note:** If your Social Security card says **VALID FOR WORK ONLY WITH DHS AUTHORIZATION**, you **can** use your Social Security number to claim EITC if you otherwise qualify.

# EIC With a Qualifying Child

Probe/Action: Ask the taxpayer:

step 1	Does your qualifying child have an SSN that allows him or her to work? <b>Note:</b> Answer NO if the child's social security card says "NOT VALID FOR EMPLOYMENT" and his or her SSN was only obtained to get a federally funded benefit.	If <b>YES</b> , go to Step 2. If <b>NO</b> , STOP. You can't claim the EIC on the basis of this qualifying child.
step 2	Is the child your son, daughter, stepchild, adopted child, or eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them?	If <b>YES</b> , go to Step 3. If <b>NO</b> , STOP. This child isn't your qualifying child. Go to interview tips for EIC Without a Qualifying Child.
step 3	Was the child any of the following at the end of the tax year: <ul style="list-style-type: none"><li>• Under age 19 and younger than the taxpayer (or spouse, if filing jointly)</li><li>• Under age 24 and a full-time student and younger than the taxpayer (or spouse, if filing jointly), or</li><li>• Any age and permanently and totally disabled?</li></ul>	If <b>YES</b> , go to Step 4. If <b>NO</b> , STOP. This child isn't your qualifying child. Go to interview tips for EIC Without a Qualifying Child.
step 4	Did the child file a joint return for the year? <sup>1</sup> <b>Note:</b> Answer NO if the child and his or her spouse filed a joint return only to claim a refund of income tax withheld or estimated tax paid.	If <b>NO</b> , go to Step 5. If <b>YES</b> , STOP. This child isn't your qualifying child (failed the joint return test). Go to interview tips for EIC Without a Qualifying Child.
step 5	Did the child live with you in the United States for more than half (183 days for 2018) of the tax year? <sup>2</sup> <b>Note:</b> Active duty military personnel stationed outside the United States are considered to live in the United States for this purpose.	If <b>YES</b> , go to Step 6. If <b>NO</b> , STOP. This child isn't your qualifying child. Go to interview tips for EIC Without a Qualifying Child.
step 6	Is the child a qualifying child of another person? <b>Note:</b> There may be a case when a qualifying child can't be claimed by anyone. <b>Example:</b> The only parent that the child lives with doesn't work nor files a tax return and another adult can't meet the general eligibility rules. In this example, no one qualifies to claim this child as a qualifying child for EIC.	If <b>YES</b> , explain to the taxpayer what happens when more than one person claims the EIC using the same child (Qualifying Child of More than One Person rule). If the taxpayer chooses to claim the credit with this child, compute the EIC using the appropriate EIC worksheets. If <b>NO</b> , compute the EIC using the appropriate EIC worksheet.

## Footnotes

<sup>1</sup> If your child was married at the end of the year, he or she doesn't meet the joint return test unless you can claim as a dependent or you can't claim the child as a dependent because you gave that right to the child's other parent.

<sup>2</sup> **Temporary absences.** Count time that you or your child is away from home on a temporary absence due to a special circumstance as time the child lived with you. Examples of a special circumstance include illness, school attendance, business, vacation, military service, and detention in a juvenile facility.

# EIC Without a Qualifying Child

Probe/Action: Ask the taxpayer:

step <b>1</b>	Can you (or your spouse, if filing jointly) be claimed as a dependent by another person?	If <b>NO</b> , go to Step 2. If <b>YES</b> , STOP. You can't claim the EIC.
step <b>2</b>	Were you (or your spouse, if filing jointly) at least 25 but under age 65 on December 31 of the tax year? Taxpayers born on January 1st are considered to be of age as of December 31st. Taxpayers reaching the age of 65 on January 1st are still considered 64 as of December 31st.	If <b>NO</b> , STOP. You can't claim the EIC. If <b>YES</b> , go to Step 3.
step <b>3</b>	Did you (and your spouse, if filing jointly) live in the United States for more than half (at least 183 <sup>1</sup> days) of the tax year?  <sup>1</sup> More than 183 days in a leap year.	If <b>NO</b> , STOP. You can't claim the EIC. If <b>YES</b> , compute EIC using the appropriate EIC worksheet.

**Note:** Taxpayers meeting the above age criteria should file a paper return to avoid a potential rejected electronic filed return and in the year the taxpayer turns 65 if death occurs before their birthday.

## Qualifying Child of More than One Person

If the child meets the conditions to be the qualifying child of more than one person, only one person can claim the child. The tiebreaker rules, which follow, explain who, if anyone, can claim the EIC when more than one person has the same qualifying child. However, the tiebreaker rules don't apply if the other person is your spouse and you file a joint return. Review all of the conditions to see which one applies.

- If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.
- If the parents don't file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time in 2018. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for 2018.
- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for 2018.
- If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest AGI for 2018, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child.

**Note 1:** If you can't claim the EIC because your qualifying child is treated under the tiebreaker rules as the qualifying child of another person for 2018, you may be able to take the EIC using a different qualifying child, or take the EIC if they qualify using the rules for people who don't have a qualifying child.

**Note 2:** Subject to these tiebreaker rules, you and the other person may be able to choose which of you claims the child as a qualifying child. See Publication 596, Earned Income Credit (EIC), for examples.