TAX YEAR
2018

Families With Children

Child Tax Credit

Maximum credit: $2,000 per qualifying child.

Adjusted Gross Income (AGI) Phaseout

The credit is reduced by $50 for each $1,000 of modified AGI above:

- $400,000 Married Filing Jointly.
- $200,000 Single, Head of Household, Qualifying Widow(er), or Married Filing Separately.

The regular child tax credit is nonrefundable, but if any part of the credit is disallowed because tax is reduced to zero, the taxpayer may qualify for the Additional Child Tax Credit, which is refundable.

Family Tax Credit

Maximum credit: $500 per qualifying dependent.

A nonrefundable credit of up to $500 is allowed for dependents other than a qualifying child for the Child Tax Credit.

Additional Child Tax Credit

Up to $1,400 of the Child Tax Credit is refundable. Taxpayers may be able to claim the additional credit if a portion of the regular Child Tax Credit was disallowed because tax was reduced to zero before the entire credit was used. The portion of the Child Tax Credit phased out because of AGI cannot be used to claim the additional credit.

Child and Dependent Care Credit

Credit

The credit is 20%–35% of the smallest of:

- $3,000 ($6,000 for two or more qualifying persons).
- Qualified expenses incurred and paid during the year.
- Include expenses for care in 2018 that were paid before 2018. Reduce expenses by dependent care benefits excluded from income.
- Taxpayer's earned income.
- Spouse's earned income.

Exclusion

Instead of taking the credit, taxpayers may be eligible to exclude from income an amount up to $5,000 for dependent care benefits received under an employer plan.

Child and Dependent Care Expenses

Qualified	*Not Qualified*
• Care outside the taxpayer's home for a qualifying person who regularly spends at least eight hours each day in the taxpayer's home. • Amounts paid for items other than care (food and schooling) if they are incidental to the care and cannot be separated from the total cost. • Before and after school care. • Household services, including cooks, maids, babysitters, or cleaners, if services were partly for the care of a qualifying person. • Employment taxes, meals, and extra lodging expenses for household employees. • Day camps and similar programs even if they specialize in a particular activity. • Transportation provided by a childcare provider to or from a place that care is provided.	• Schooling for a child in kindergarten or above. *Clarification:* The IRS has confirmed that kindergarten costs are educational and do not qualify for the credit. This includes costs paid for a full day of kindergarten at a private school in a district where public schools have half-day classes. Costs of pre-school do qualify even if the programs have some educational content. • Cost of an overnight camp. • Expenses reimbursed by a state social service agency not included in income. • Child support payments. • Transportation of the care provider and transportation of a qualifying person not provided by a childcare provider.

Families With Children

Earned Income Credit (EIC)

The EIC is a refundable credit for low-income earners. Taxpayers with investment income of more than $3,500 do not qualify.

Requirements for Everyone

The following requirements must be met whether or not the taxpayer has qualifying children.

- ***Valid Social Security Numbers.*** Taxpayer and spouse (if filing jointly) must have valid Social Security Numbers. Qualifying children must also have valid Social Security Numbers except a child who was born and died during the year. Adoption and individual taxpayer identification numbers (ATINs and ITINs) do not qualify. A Social Security Number on a card that reads "Not Valid for Employment" does not qualify. A Social Security Number on a card that reads "Valid for work only with DHS (or INS) authorization" qualifies.
- ***The taxpayer must be a U.S. citizen or resident alien for the entire year.*** A nonresident alien can claim the credit if married to a U.S. citizen or resident alien, and the nonresident alien chooses to be treated as a resident for the entire tax year by filing a joint return.
- ***Filing status may not be Married Filing Separately.***
- ***The taxpayer may not be a qualifying child of another taxpayer.***
- ***The taxpayer may not file a tax form relating to foreign earned income.***
- ***The taxpayer's investment income must be $3,500 or less.***

Taxpayers Without Qualifying Children

Taxpayers who meet all the requirements and who do not have a qualifying child for the year, can claim EIC if the following additional requirements are met.

- ***The taxpayer must be at least 25, but under age 65, at the end of 2018.***

If Married Filing Jointly, either taxpayer can meet the age test.

- ***The taxpayer cannot be the dependent of another person.***
- ***The taxpayer's principal place of abode is in the United States for more than half the year.*** Residence in U.S. possessions, such as Guam and Puerto Rico, does not qualify.

Adoption Credit

Credit and Exclusion Amount

A taxpayer can claim a credit of up to $13,810 (2018) and also exclude up to $13,810 of employer-provided benefits from income for expenses of adopting an eligible child. The same qualifying expenses cannot be used for both. Limits apply to the total spent over all years for each effort to adopt an eligible child. An attempt that leads to adoption and any unsuccessful attempt to adopt a different child is treated as one effort. Unmarried persons who adopt a child can divide each limit in any way they agree.

Qualified expenses include:	Nonqualified expenses include expenses:
• Adoption fees. • Attorney fees. • Court costs. • Travel expenses, meals and lodging, while away from home. • Re-adoption in state court.	• To adopt a spouse's child. • For surrogate parenting. • Paid or reimbursed by employer, governmental agency or other. • Allowed as a credit or deduction under another tax provision. • Paid before 1997.

Eligible Child

A child under age 18 or a person who is disabled physically or mentally incapable of self care.

Education Credits

American Opportunity Credit. Credit of up to $2,500 per student for the first four years. 40% of the credit may be refundable.

Lifetime Learning Credit. Credit of 20% of the first $10,000 of qualified education expenses (maximum credit is $2,000). No limit on the number of years the credit may be claimed.

Contact Us

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- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

Filing Status

Single

A taxpayer is unmarried in 2018 if:
- The taxpayer has never married,
- The taxpayer was legally separated, according to state law, under a decree of divorce or separate maintenance.
- The taxpayer's spouse died before January 1, 2018, and the taxpayer did not remarry in 2018.

If the taxpayer meets the definition of unmarried, file as Single unless the requirements for one of the following filing statuses are met.
- Head of Household, or
- Qualifying Widow(er) with Dependent Child.

Married Filing Joint (MFJ)

A taxpayer can file a joint return in 2018 with a spouse if:
- The taxpayer was married at the end of 2018, even if the taxpayer did not live with the spouse at the end of 2018.
- The taxpayer's spouse died in 2018, and the taxpayer did not remarry in 2018.
- The taxpayer was married at the end of 2018, and the spouse died in 2019 before filing a 2018 return.
- The taxpayer lived with a person in a common-law marriage recognized in the state where they live or in the state where the common-law marriage began.

A taxpayer can file MFJ if both spouses agree, otherwise a married taxpayer may file:
- Married Filing Separately (MFS), or
- Head of Household (HOH) if the taxpayer meets the requirements to be "Considered Unmarried." See *Head of Household*, later.

Married Filing Separately (MFS)

Married Filing Separately—Special Rules

50% of MFJ	• Standard deduction. • Tax brackets. • AMT exemptions. • Net capital loss deduction ($1,500). • Exclusion of gain on home sale. • First-Time Homebuyer Credit. • Home mortgage interest limits.
Income limits 50% of MFJ	• Child Tax Credit. • Retirement Savings Contributions Credit. • Reduction of itemized deductions. • Exemptions phase out.
Credits disallowed	• Earned Income Credit. • Elderly or Disabled Credit unless spouses lived apart all year. • Child and Dependent Care Credit in most cases. • Adoption Expense Credit in most cases.
Education benefits disallowed	• Education credits. • Exclusion for U.S. bond interest. • Student loan interest deduction.
IRAs	• Contributions phased out at $10,000 unless spouses lived apart all year.
Social Security	For MFJ, benefits are not taxable if income is under $32,000. The taxation threshold is zero for MFS, unless spouses did not live together at any time during the year.
Rental Real Estate Losses	Deduction is $12,500 reduced at modified AGI over $50,000. No deduction if spouses lived together at any time during the year.

Any taxpayer that was married at the end of 2018 can file as MFS. Generally, a taxpayer will pay more tax by filing MFS.

Head of Household (HOH)

The HOH filing status applies to unmarried individuals (or married individuals considered unmarried) who provide a home for a qualified individual.

Filing Status

Qualifying child. The term qualifying child for purposes of the HOH rules has the same meaning as for the dependency test.

Qualifying relative. A qualifying relative can be a qualifying person for HOH filing status if the taxpayer paid more than half the cost of keeping up a home where the qualifying relative lived for more than half the year. The taxpayer must be eligible to claim a dependency exemption for the qualifying relative, and the qualifying relative must meet one of the following relationship tests.

- Son, daughter, stepchild, foster child, or a descendant of any of these (such as a grandchild),
- Brother, sister, or a son or daughter of either (such as a niece or nephew),
- Father, mother, or ancestor or sibling of either, (such as grandmother, grandfather, aunt, or uncle), or
- Stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

Note: A person other than the relationships listed, above, who lived with the taxpayer all year as a member of the taxpayer's household, can qualify the taxpayer to claim a dependency exemption for that person, but such person who is a dependent only because they lived with the taxpayer all year does not qualify the taxpayer for HOH filing status.

Temporary absences. Temporary absences for special circumstances count as time lived in the taxpayer's home. Special circumstances include time away from home going to school, vacation, business, medical care, military service, and detention in a juvenile facility. A person who was born or who died during the year is treated as living in the home for the entire year if the home was their main home for the part of the year he or she was alive.

Married individuals considered unmarried. A married individual can be considered unmarried for HOH purposes if all the following apply.

- The taxpayer lived apart from his or her spouse for the last six months of the year. Temporary absences for special circumstances, such as for business, medical care, school, or military service, count as time lived in the home.
- The taxpayer does not file a joint return with his or her spouse.
- The taxpayer paid over half the cost of keeping up the home during the year.
- The taxpayer's home was the main home of the taxpayer's child, stepchild, or foster child for more than half the year.
- The taxpayer claims this child as a dependent, or the child's other parent claims him or her as a dependent under the rules for children of divorced or separated parents.

Qualifying Widow(er) (QW)

The QW filing status is available for the first two years following the year a spouse died, provided all the following requirements are met.

- The spouse died in 2016 or 2017 and the taxpayer did not remarry in 2018.
- The taxpayer has a child or stepchild that the taxpayer can claim as a dependent. This does not include a foster child.
- The child lived in the taxpayer's home for all of 2018. If there is a temporary absence for special circumstances, the child is not considered to be away from home, such as for school, vacations, medical care, business, military service, or detention in a juvenile facility.
- The taxpayer paid over half the cost of keeping up a home.
- The taxpayer filed a joint return with deceased spouse in the year of death or could have filed a joint return that year.

If the taxpayer's spouse died in 2018, the taxpayer is married for 2018 and cannot file as a Qualifying Widow(er) until 2019.

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TAX YEAR
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Dependent Support Worksheet

Dependent Support Worksheet

Support and the Dependency Exemption

The support test is one of the factors used to determine whether you may claim the dependency exemption for another person. The person may be a qualifying child or a qualifying relative. You must consider the support test each tax year for which you wish to claim a dependency exemption.

Support Test	
Qualifying Child	The child cannot have provided more than half of his or her own support during the tax year.
Qualifying Relative	You must have provided more than half of the relative's support during the tax year.

What is Support?

Total support includes amounts spent to provide food, lodging, clothing, education, medical and dental care, health insurance, recreation, transportation, and similar necessities.

- In general, the amount of an item of support is the expense incurred in providing that item.
- The amount of support for lodging is the fair rental value of the lodging, including a reasonable allowance for the use of furniture and appliances and for utilities provided.
- Expenses not directly allocable to any one member of the household, such as the cost of food for the household, must be divided among the household members.
- Property provided as support is measured by its fair market value.

Dependent Support Worksheet

Step 1: Apportion Total Household Expense

a) Lodging (rent or fair rental value but not real estate taxes, mortgage interest, or home insurance), plus ....a) _______
b) Utilities and repairs, if not included above, plus...............b) _______
c) Food, transportation, medical insurance, etc. for entire household, equals ....c) _______
d) Total household expense. ....d) _______
e) Divide by number of household members.........................e) _______

Step 2: Calculate Expenses for the Person Being Supported

a) Clothing and personal items, plus...................................a) _______
b) Education and childcare, plus ....b) _______
c) Travel and recreation, plus ....c) _______
d) Medical, dental, etc., plus..d) _______
e) Other direct expenses, plus..e) _______
f) Result of Step 1, equals .... f) _______
g) Total support of the person..g) _______

Step 3: Allocate Funds Belonging to Person Being Supported

a) Total savings and other accounts at the beginning of the year, plus ....a) _______
b) Total taxable and nontaxable income received during the year, including loans (but not full-time student's scholarships or funds provided by state, local or welfare agencies), plus ....b) _______
c) Amount from Step 1a, if the person owns the home, minus...c) _______
d) Total savings and other accounts at the end of the year, minus ....d) _______
e) Other amounts not spent for support, equals ....e) _______
f) Amount contributed by the person being supported .... f) _______

continued

Dependent Support Worksheet

Dependent Support Worksheet continued

Step 4: Determine Who Provided More Than Half of the Person's Support

a) Amount others contributed to the person's support, including state, local, and welfare agencies, but none of the amounts used in Step 3.. a)________

b) Amount you provided for the person's support. This should equal the result of Step 2 (total support), minus the result of Step 3 (amount the person contributed), minus 4a (amount others contributed)............................. b)________

Is the result of Step 3 (amount the person contributed) less than or equal to 50% of the result of Step 2 (half of total support)?

- If yes, then the person meets the support test for a qualifying child.
- If no, then the person provided more than half of his or her own support and you cannot claim the exemption.

Is the amount you contributed more than 50% of the result of Step 3 (half of total support)?

- If yes, then the person meets the support test for a qualifying relative.
- If no, then you cannot claim the exemption for the person unless you can do so under a multiple support agreement, the support test for children of divorced or separated parents, or the special rule for kidnapped children.

When Should You Include Support Items?

A qualifying item is included in total support in the year it is paid. This is true even if you paid for the item with borrowed money that you repay in a later year.

Item Included in Total Support?	Yes	No
Life insurance premiums you paid on another person's life		X
Funeral expenses you paid		X
Amounts you paid for child care	X	
Dependent care or medical expenses paid out of your FSA or HSA	X	
Survivors' and Dependents' Educational Assistance payments used for the support of the recipient		X
Income and FICA taxes paid on the person's own earnings		X
GI Bill payments and allowances received by the person	X	
Part-time student's scholarship	X	
Full-time student's scholarship		X

Item Included in Total Support? continued	Yes	No
Student loan proceeds used for current school or living expenses	X	
Student loan proceeds left in the bank for use in a future year		X
Value of car you own		X
Operating costs allocated to the other person's use of your car	X	
Computer used by entire household		X
Computer purchased as a gift for the other person	X	
Clothing purchased by the other person with his or her savings	X	
Wages earned by the other person but spent on someone else		X
Social Security payments received but not spent by the other person		X
Your 16-year-old son's trip to Mexico, financed by the liquidation of his college trust fund	X	
Inherited money left in a trust fund		X

Considered Provided By You?	Yes	No
Payments you receive from a placement agency, state, or county for support of a foster child		X
Unreimbursed foster care expenses ineligible for charitable contribution deduction, and you are not in the foster care business	X	
Dependency allotments taken out of your military pay or contributed by the government	X	
Wages you pay to a child		X
Social Security benefits payable to the child or relative		X
Welfare benefits and food stamps you receive		X
Your earnings, tax-exempt income, savings, or borrowed money that you spend on a child or relative	X	

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