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Paying Your Taxes—Applications

Claiming Income Tax Exemptions For Dependents

Exemptions reduce your taxable income. Generally, in 2000, each personal or dependent exemption will reduce your taxable income by \$2,800. Personal and dependent exemptions are worth the same amount of money, but the rules for claiming them are different. It is easy to overlook a dependent exemption and miss out on the tax savings. You can use the following checklist to determine whether you may be eligible to claim someone as a dependent. This checklist is not provided as a substitution for the IRS instructions and worksheets, however, so when you do your taxes, use the IRS methods to make a final determination.

Keep in mind, a child who is claimed as a dependent for exemption purposes may also qualify you for a child tax credit.

DEPENDENT EXEMPTION TESTS

In order to take a dependent exemption for a particular individual, all of the five following exemption tests must be met for that individual:

1. The member of the household or relationship test
2. The citizenship test
3. The joint return test
4. The gross income test
5. The support test

These tests are outlined below. As you work your way through them, check off each test that results in a "Yes" answer for the individual you wish to claim as a dependent.

Yes

_____ **Member of the Household or Relationship Test**

This test can be satisfied in two ways. Your dependent can either be related to you or be a member of your household for the entire year. People who live with you do not need to be related to you, and your relatives do not have to live with you.

Relationship Test

The IRS has deemed the following relationships adequate to qualify for dependent purposes:

- _____ Your child, grandchild, or great grandchild
- _____ Your adopted child, grandchild, or great grandchild
- _____ Your stepchild
- _____ Your brother, sister, half brother, half sister, stepbrother, or stepsister
- _____ Your parent, grandparent, or other direct ancestor, but not a foster parent
- _____ Your stepfather or stepmother

- Your aunt or uncle
- Your niece or nephew
- Your father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law

If you have checked off any of the above relationships to the dependent, check off the "Yes" line in front of the Member of the Household or Relationship Test, above, and go on to the Citizenship Test. If you have satisfied the Relationship Test, you do not need to take the Member of the Household Test.

If you did NOT check off any blanks for the Relationship Test, continue to the Member of The Household Test, below.

Member of The Household Test

The member of the household requirement is satisfied when an individual stays in your home as their principal place of abode. It is acceptable for that individual to be temporarily absent from your home.

My home is the individual's principle place of abode for the entire year, and is:

NOT absent

OR

IS absent for one of the following reasons:

- Attending school
- Illness
- Business
- Vacation
- Military service
- Nursing home care

The controlling factor is not how long the absence is, but rather whether the individual intends to change his or her principal place of abode from your home. If a household member dies during the year, they satisfy the member of the household test for that year.

If you have checked off any of the above blanks, check off the "Yes" line in front of Member of the Household or Relationship Test, above, and go on to the Citizenship Test.

If you did NOT check off any blanks for the Member of the Household Test, stop here - the individual is not a member of your household or a person with the necessary relationship to you.

Citizenship Test

The following individuals satisfy the citizenship test:

- A U.S. citizen or resident
- A resident of Canada or Mexico for some portion of the tax year
- A child of a U.S. citizen
- A child born in the United States
- A foreign child already adopted once present in the United States

If you have checked off any of the above blanks, check off the "Yes" line in front of Citizenship Test, above, and go on to the Joint Return Test.

If you did NOT check off any blanks for the Citizenship Test, stop here - the individual is not deductible as a dependent.

_____ **Joint Return Test**

Generally, if an individual who would otherwise qualify as a dependent files a joint return, you will not be able to take an exemption for them. If your dependent only filed a joint return to claim a refund and does not have any tax liability, the joint return test does not apply.

_____ The individual has not filed a joint return

OR

_____ The individual has filed a joint return ONLY to claim a refund, and has no tax liability.

If you have checked off one of the above blanks, check off the "Yes" line in front of Joint Return Test, above, and go on to the Gross Income Test.

If you did NOT check off any blanks for the Joint Return Test, stop here - the individual is not deductible as a dependent.

_____ **Gross Income Test**

Generally, you cannot claim an exemption for an individual who has income in excess of the exemption amount. This test does not apply if the person is your child and is under the age of nineteen or is a student under the age of twenty-four.

_____ The individual has an income less than or equal to the exemption amount

OR

_____ The individual is under 19 years old, or is a student under the age of 24.

If you have checked off any of the above blanks, check off the "Yes" line in front of Gross Income Test, above, and go on to the Support Test.

If you did NOT check off any blanks for the Gross Income Test, stop here - the individual is not deductible as a dependent.

_____ **Support Test**

In order to satisfy the support test, you must provide more than one-half of the dependent's support during the year. In order to do this, you compare what you spent on the person to what others people spent on him or her. What you spent on your dependent includes a percentage of your household expenses.

• What is support?

	You Paid/Other Paid
<input type="checkbox"/> Clothing	_____ / _____
<input type="checkbox"/> Personal grooming	_____ / _____
<input type="checkbox"/> Medical and dental costs including insurance	_____ / _____
<input type="checkbox"/> Education	_____ / _____
<input type="checkbox"/> Child care	_____ / _____
<input type="checkbox"/> Transportation	_____ / _____
<input type="checkbox"/> Contributions	_____ / _____
<input type="checkbox"/> Travel	_____ / _____
<input type="checkbox"/> Recreation	_____ / _____
<input type="checkbox"/> Capital items (televisions, computers, etc.)	_____ / _____

TOTAL

_____ / _____

- What is a household expense for the purposes of the support test?

- Rent paid or the fair rental value of your home and its furnishings _____
- Food for the household _____
- Utilities _____
- Repairs, not included in the fair rental value _____
- Other incidental expenses—do not include mortgage, insurance, taxes _____

TOTAL PRO-RATA SHARE OF HOUSEHOLD EXPENSES

(Total your household expenses and divide the total by the number of people in the home):

\$ _____

If the amount that the individual, or some one else, spent on his or her own support exceeds what you spent on him or her PLUS his or her pro rata share of the household expenses, then you have failed the support test.**

_____ The amount I spent on the individual PLUS the Pro Rata share of household expenses is GREATER than the amount of support for the individual provided by the individual and/or others.

**Please note that this formula is intended to provide a rough idea of whether or not you can take an exemption for a dependent. The calculation is not meant to take the place of the IRS instructions, forms or worksheets. If your dependent receives support from state, local, or other welfare agencies, if you share support of a dependent with another individual, or if you are living in your dependent's home, you will need to perform additional calculations and should review Chapter 3 of IRS Publication 17 and utilize the IRS Worksheet for Determining Support.

If you have checked off the above line, check off the "Yes" line in front of Support Test, above.

If you did NOT check off the blank for the Support Test, the individual is not deductible as a dependent.

If you were able to check off the "Yes" line for all 5 tests above, then you can most likely deduct the individual as your dependent. Check with a qualified tax preparer or your attorney before taking the dependent deduction.