

The 2017 *Tax Cuts and Jobs Act* suspended the deductions for personal and dependent exemptions for tax years beginning after 2017 and before 2026. In its place, qualifying taxpayers are entitled to claim tax credits for children and other dependents.

Beginning in 2018, there are two different credits available to taxpayers with children or other dependents. If your child is under age 17, you may be entitled to a child tax credit (CTC) of \$2,000 per child. If you do not have a tax liability large enough to fully utilize your otherwise allowable credit, you may be allowed to effectively convert a portion (up to a maximum of \$1,400) of your total CTC from nonrefundable to a refundable credit. Regardless of how the credit is claimed, the total overall CTC cannot exceed \$2,000 per qualifying child. If your child or other dependent is over age 16, you may be entitled to a \$500 nonrefundable other dependent credit (ODC).

The credits phase out at a rate of \$50 for every \$1,000 of modified adjusted gross income or fraction thereof exceeding \$400,000 for joint filers, or \$200,000 for single, married filing separately, and head of household filers.

Qualifying child for purposes of the \$2,000 CTC

The rules for claiming a tax credit for a dependent are similar to those that were in place to claim a personal exemption. These general tests must be met:

- **Age.** The child must be under age 17.
- **Relationship.** This is your child, stepchild (whether by blood or adoption), foster child, sibling, stepsibling or a descendant of one

of these. A foster child qualifies under this test if the child was placed in your home by an authorized placement agency or by judgment, decree or other order of any court of competent jurisdiction.

- **Residence.** The child must live in your home for more than half the year. Exceptions apply, in certain cases, for children of divorced or separated parents, kidnapped children, temporary absences and for children who were born or died during the year.
- **Support.** Your child must not have provided more than one-half of his/her own support for the year.
- **Married Child.** Your child, if married, cannot file a joint return with his or her spouse except as a claim for refund.

In addition to these five tests, the child must have a social security number (SSN). A qualifying child who does not have an SSN but does have an individual taxpayer identification number (ITIN) issued by the IRS is eligible to claim the ODC instead. Noncitizens who do not have permanent residency status and are eligible to be claimed as dependents solely due to residing in Canada or Mexico are not eligible for the CTC or ODC.

If a child is claimed as a qualifying child by two or more taxpayers in a given year, the child will be the qualifying child of:

- The child's parent.
- If more than one taxpayer is the child's parent, the one with whom the child lived for the longest time during the year or, if the time was equal, the parent with the highest adjusted gross income.

- If no taxpayer is the child's parent (such as a grandparent or foster parent, etc.), the taxpayer with the highest adjusted gross income.

Children of divorced or separated parents

If you are the child's noncustodial parent, your child will be treated as your qualifying child only if all of the following apply:

- You are divorced, legally separated, separated under a written agreement or lived apart from your former spouse at all times during the last six months of the year.
- Your child received over half of his or her support for the year from you and your former spouse.
- Your child is in the custody of you or your former spouse for more than half of the year.
- The custodial parent signs Form 8332.

If you meet all of these rules, you can claim the child tax credit for your child. You cannot claim the child as a qualifying child for the head of household filing status, the child and dependent care credit and the earned income tax credit.

The rules for divorced or separated parents also apply to parents who never married.

What happens if your child is a qualifying child of more than one person?

If you and another person have the same qualifying child, you and the other person can decide who will treat the child as a qualifying child for tax purposes. Only one can claim the child. If you are that person and you qualify, only you are entitled to the following tax benefits mentioned earlier:

- Earned income tax credit
- Head of household filing status
- Child tax credit
- Credit for child and dependent care expenses

If you and the other person cannot agree on who will claim the child, tie-breaker rules apply.

- If only one person is the child's parent, the child is the qualifying child of the parent.
- If both of you are the parents and you do not file a joint return, the child is the qualifying child of the parent with whom the child lived for the longer period during the year. If the child lived with both of you for the same amount of time, the child will be the qualifying child of the parent with the highest adjusted gross income.
- If neither of you are the child's parent, the child will be the qualifying child of the person with the highest adjusted gross income.

Other dependents for purposes of the \$500 ODC

If your dependent does not fall into the definition of a qualifying child, you still may be eligible for the \$500 ODC if you have a qualifying individual. An individual is a qualifying individual if that person is over age 16 and meets all the following requirements:

- Bears a relationship to the taxpayer. Relationship is defined as: child (son, daughter, stepson, stepdaughter, eligible foster child), descendant of a child, brother, sister, stepbrother, stepsister, half-brother, half-sister, mother, father, ancestor of mother or father, stepfather, stepmother, niece, nephew, aunt, uncle, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law, or any individual not listed above who was a member of your household for the entire year.

- The individual's gross income is less than \$4,150 for 2018.
- You provide more than 50% of the individual's support during the calendar year that the tax year begins.
- The individual is not your qualifying child or another taxpayer.
- The individual is a U.S. citizen, U.S. national, or a resident of the U.S. For purposes of this partial credit, residents of Canada and Mexico do not qualify.

Each person whom you claim as a dependent is required to have a taxpayer identification number. This can either be an individual taxpayer identification number (ITIN), adoption tax identification number (ATIN) or a Social Security number (SSN). You are not entitled to claim certain benefits, such as the earned income tax credit, unless your dependents have an SSN.

Note: The IRS only allows the qualifying relative to receive income up to the exemption amount. In tax years where the personal exemption is \$0 (2018–2025), the IRS will publish a dollar amount for the gross income test. For 2018, the dollar amount is \$4,150, adjusted for inflation through 2025.

This brochure contains general tax information for taxpayers. As each tax situation may be different, do not rely upon this information as your sole source of authority. Please seek professional advice for all tax situations.

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Child Tax Credit and Credit for Other Dependents

