

## O'NEIL & STEINER, PLLC DEPENDENTS INFORMATION

Prior to the TCJA, claiming dependents benefited taxpayers in a few ways including deduction for personal exemptions (\$4,050 per dependent deduction in 2017), potential child tax credit was \$1,000 per qualifying child (under 17) subject to income limitations, education credits for college, and increased household size when calculating net premium tax credit (or repayment).

Starting in 2018, the Tax Cuts and Jobs Act (TCJA) eliminated the personal exemption deduction. It also doubled the child tax credit to \$2,000 per qualifying child under 17. It also allowed a non-refundable credit (reduces tax liability, but not below zero) of \$500 (per dependent) for any of your dependents who are not qualifying children under 17. There is no age limit for the \$500 credit, but the tests for dependency must be met. The TCJA also increases the "phase-out" thresholds for the credit which means many more will qualify.

Prior to the TCJA you could also use an individual taxpayer identification number (ITIN) or adoption taxpayer identification number (ATIN). If a qualifying child does not have an SSN, you will not be able to claim the \$2,000 child tax credit, but you can claim the \$500 other dependent credit for that child using an ITIN or an ATIN.

For tax purposes a dependent means a U.S. citizen, resident, or national, or a resident of Canada or Mexico, that qualifies under one of the following two categories:

1. Qualifying Child – Must satisfy all six of the following tests:
  - a. Relationship – Must be one of these: your son, daughter, stepchild, foster child, brother, sister, half-sibling, stepsibling, or descendant of any of these
  - b. Age – Must be either under 19, or under 24 and a full-time student, or any age if permanently and totally disabled
  - c. Residence – The child must reside with you for more than half the year
  - d. Support – The child must not have provided more than ½ of their own support
  - e. Filing Status – The child must not be filing a joint return
  - f. Tie-Breaker Rules – If the child meets the above five for more than one person you must apply additional tests to determine whose Qualifying Child they are for the year.
2. Qualified Relative – Must satisfy all five of the following tests:
  - a. Qualifying Child – Can't be a qualifying child of any other taxpayer (see above)
  - b. Household/Relationship – Must either live with you all year as a member of your household or be a relative that meets a separate test for relatives who do not have to live with you (child, stepchild, adopted child, grand & great grandchild, & more qualify)
  - c. Support – You must provide more than ½ of their support
  - d. Gross Income – Their gross income must be less than \$ 4,700 in 2023
  - e. Filing Status – If filing a joint return both the dependent and spouse must not be required to file.

As always, please don't hesitate to contact our office if you have questions about your dependents.