

## O'NEIL & STEINER, PLLC DEPENDENTS INFORMATION

For tax purposes a dependent means a U.S. citizen, national, or resident alien (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, \*eligible\* foster child, sibling, 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  $\frac{1}{2}$  of their own support
  - e. Filing Status – The child must not be filing a joint return (unless for refunds only)
  - 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  $\frac{1}{2}$  of their support
  - d. Gross Income – Their gross income must be less than \$ 5,200 in 2025
  - e. Filing Status – Must not file a joint return unless for solely for refunds

Credits for dependents include Child Tax Credit (CTC) & Other Dependent Credit (ODC).

The maximum CTC for qualifying dependents under 17 as of December 31<sup>st</sup> of the tax year increased from \$2,000 to \$2,200 each.

To qualify for CTC and ODC the following additional tests must all be passed:

- Taxpayers Modified Adjusted Gross Income (MAGI) not in excess of \$200,000 for single/head of household filers and \$400,000 for married filing jointly. Credit is reduced by \$50 per \$1,000 of income in excess of the threshold
- Must have lived with you with primary residence in U.S. for more than half of the year
- For CTC only - Both the child and parent (at least one if married filing jointly) must have Social Security Numbers valid for employment issued by the tax filing deadline

The maximum ODC is available \$500. The ODC is non-refundable (can only be used to eliminate federal income tax). The first \$500 of CTC is also non-refundable. US residence for more than half the year rule above applies to ODC as well.

The remaining balance of CTC (up to \$1,700) is known as the Additional Child Tax Credit or (ACTC). It may be refundable depending on the amount of your earned income in excess of \$2,500. Refundable ACTC is limited to 15% of this excess. The full amount can be used to reduce tax regardless of earned income. To qualify for refundable portion both taxpayer and dependent must share a lived together in a United States residence for more than half of the year.