

2018

Instructions for Form 8615

Tax for Certain Children Who Have Unearned Income



Department of the Treasury
Internal Revenue Service

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Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 8615 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8615](https://www.irs.gov/Form8615).

What's New

Change in tax rates. The Tax Cuts and Jobs Act of 2017 has modified the tax rates and brackets that you will use to figure the tax on your 2018 unearned income. Your tax rate is no longer affected by the tax situation of your parents or the unearned income of any siblings. Instead, all net unearned income over a threshold amount of \$2,100 for 2018 is taxed using the brackets and rates for estates and trusts. These are shown in the following chart.

2018 Estate and Trust Income Tax Rates	
IF your taxable income is...	THEN your tax is...
not over \$2,550	10% of taxable income.
over \$2,550 but not over \$9,150	\$255 plus 24% of the excess over \$2,550.
over \$9,150 but not over \$12,500	\$1,839 plus 35% of the excess over \$9,150.
over \$12,500	\$3,011.50 plus 37% of the excess over \$12,500.

Form 1040A no longer available. Form 1040A isn't available to file your 2018 taxes.

Previous filers of this form will file Form 1040. References to this form have been revised accordingly in these instructions.

2018 Form 1040 redesigned. The 2018 Form 1040 has been redesigned and is supplemented with new Schedules 1 through 6. These additional schedules will be used as needed to complete more complex tax returns. References to Form 1040 and its related schedules have been revised accordingly in these instructions.

General Instructions

Purpose of Form

Use Form 8615 to figure your tax on unearned income over \$2,100 if you are under age 18, and in certain situations if you are older. See *Who Must File*, later.

Unearned Income

For Form 8615, “unearned income” includes all taxable income other than earned income. Unearned income includes taxable interest, ordinary dividends, capital gains (including

capital gain distributions), rents, royalties, etc. It also includes taxable social security benefits, pension and annuity income, taxable scholarship and fellowship grants not reported on Form W-2, unemployment compensation, alimony, and income (other than earned income) received as the beneficiary of a trust.

Who Must File

Form 8615 must be filed for anyone who meets all of the following conditions.

1. You had more than \$2,100 of unearned income.
2. You are required to file a tax return.
3. You were either:
 - a. Under age 18 at the end of 2018,
 - b. Age 18 at the end of 2018 and didn't have earned income that was more than half of your support, or
 - c. A full-time student at least age 19 and under age 24 at the end of 2018 and didn't have earned

income that was more than half of your support.

(Earned income is defined later. Support is defined below.)

4. At least one of your parents was alive at the end of 2018.
5. You don't file a joint return for 2018.

These rules apply if you're legally adopted and a stepchild. These rules also apply whether or not you're a dependent. These rules don't apply if neither of your parents were living at the end of the year.

Support. Your support includes all amounts spent to provide you with food, lodging, clothing, education, medical and dental care, recreation, transportation, and similar necessities. To figure your support, count support provided by you, your parents, and others. However, a scholarship you received isn't considered support if you're a full-time student. For details, see Pub. 501, Dependents, Standard Deduction, and Filing Information.

Certain January 1 birthdays. Use the following chart to determine whether you meet condition 3 under Who Must File, earlier, for certain January 1 birthdays.

IF you were born on...	THEN, at the end of 2018, you are considered to be...
January 1, 2001	18*
January 1, 2000	19**
January 1, 1995	24***
<p>*You aren't under age 18. You meet condition 3 only if you didn't have earned income that was more than half of your support.</p> <p>**You meet condition 3 only if you were a full-time student who didn't have earned income that was more than half of your support.</p> <p>***Don't use Form 8615.</p>	



Your parent may be able to elect to report your interest, ordinary dividends, and capital gain

distributions on his or her return. If your parent makes this election, you won't have to file a return or Form 8615. However, the federal income tax on your income, including qualified dividends and capital gain distributions, may be higher if this election is

made. For more details, see Form 8814, Parents' Election To Report Child's Interest and Dividends.

Additional Information

For more details, see Pub. 929, Tax Rules for Children and Dependents.

Incomplete Information for Filing

If your taxable income, filing status, or your net unearned income isn't known by the due date of your return, reasonable estimates can be used. Enter "Estimated" next to the appropriate line(s) of Form 8615. When the correct information is available, file Form 1040X, Amended U.S. Individual Income Tax Return.

Instead of using estimates, you can get an automatic 6-month extension of time to file. For details, see Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.



An extension of time to file is not an extension of time to pay.

Amended Return

If your income changes after your return is filed, the tax must be refigured using the adjusted amounts. If your tax changes, file Form 1040X to correct your tax.

Alternative Minimum Tax

If your tax is figured on Form 8615, you may owe the alternative minimum tax. For details, see Form 6251, Alternative Minimum Tax—Individuals, and its instructions.

Net Investment Income Tax

If your tax is figured on Form 8615, you may be subject to the Net Investment Income Tax (NIIT). NIIT is a 3.8% tax on the lesser of net investment income or the excess of your modified adjusted gross income (MAGI) over the threshold amount. Use Form 8960, Net Investment Income Tax, to figure this tax. For more information on NIIT, go to [IRS.gov/NIIT](https://www.irs.gov/NIIT).

Line Instructions

Lines A and B

If your parents were married to each other and filed a joint return, enter the name and social security number (SSN) of your parent who is listed first on the joint return.

If your parents were married but filed separate returns, enter the name and SSN of your parent who had the higher taxable income. If you don't know which parent had the higher taxable income, see Pub. 929.

If your parents were unmarried, treated as unmarried for federal income tax purposes, or separated by either a divorce or separate maintenance decree, enter the name and SSN of the parent with whom you resided for the greater part of the calendar year. See the definition of custodial parent in Pub. 501.

Exceptions. If your custodial parent remarried and filed a joint return with his or her new spouse, enter the name and SSN of the person listed first on the joint return, even if that person isn't your parent. If your

custodial parent and his or her new spouse filed separate returns, enter the name and SSN of the person with the higher taxable income, even if that person isn't your parent.

If your parents were unmarried but lived together during the year with you, enter the name and SSN of the parent who had the higher taxable income.

Line 1

If you had no earned income (defined below), enter your adjusted gross income from Form 1040, line 7, or Form 1040NR, line 36.

If you had earned income, use the Unearned Income Worksheet to figure the amount to enter on line 1. But use Pub. 929 instead of the worksheet to figure the amount to enter on line 1 if you:

- File Form 2555 or 2555-EZ (relating to foreign earned income),
- Have a net loss from self-employment, or
- Claim a net operating loss deduction.

Earned income. Earned income includes wages, tips, and other payments received for personal services performed.

If you're a sole proprietor or a partner in a trade or business in which both personal services and capital are material income-producing factors, earned income also includes a reasonable allowance for compensation for personal services, but not more than 30% of your share of the net profits from that trade or business (after subtracting the deduction for one-half of self-employment tax). However, the 30% limit doesn't apply if there are no net profits from the trade or business.

If capital isn't an income-producing factor and your personal services produced the business income, all of your gross income from the trade or business is considered earned income. In that case, earned income is generally the total of the amounts reported on Form 1040, line 1; Schedule 1 (Form 1040), lines 12 and 18; or Form 1040NR, lines 8, 13, and 19.

Earned income also includes any taxable distribution from a qualified disability trust. A qualified disability trust is any nongrantor trust:

1. Described in 42 U.S.C. 1396p(c)(2)(B)(iv) and established solely for the benefit of an individual under 65 years of age who is disabled, and
2. All the beneficiaries of which are determined by the Commissioner of Social Security to have been disabled for some part of the tax year within the meaning of 42 U.S.C. 1382c(a)(3).

A trust won't fail to meet (2) above just because the trust's corpus may revert to a person who isn't disabled after the trust ceases to have any disabled beneficiaries.

Unearned Income Worksheet—Line 1



Keep for Your Records

1. Enter the amount from your Form 1040, line 6, or Form 1040NR, line 23, whichever applies _____
 2. Enter your **earned income** (defined earlier) plus the amount of any penalty on early withdrawal of savings from your Schedule 1 (Form 1040), line 30, or Form 1040NR, line 30, whichever applies _____
 3. Subtract line 2 from line 1. Enter the result here and on Form 8615, line 1 _____
-

Line 2

If you itemized deductions, enter the larger of:

- \$2,100; or
- \$1,050 plus the portion of the amount on Schedule A (Form 1040), line 17 (or Form 1040NR, Schedule A, line 8), that is directly connected with the production of the unearned income on Form 8615, line 1.

Line 4

Enter on line 4 your taxable income from Form 1040, line 10, or Form 1040NR, line 41.

Filing Form 2555 or 2555-EZ. If you file Form 2555 or 2555-EZ (relating to foreign earned income), the Foreign Earned Income Tax Worksheet (in the Form 1040 instructions) is used to figure your tax. Enter the amount from line 3 of the Foreign Earned Income Tax Worksheet as your taxable income on line 4.

Line 6

Subtract line 5 from line 4. The result is your "earned taxable income."

Note. The amount shown on line 6, while meeting the statutory definition of earned taxable income, may include an amount of unearned income because it is reduced (but not below zero) by your net unearned income.

Line 7

Figure the tax on the amount on line 4 by first using the 2018 Line 7 Tax Computation Worksheet.

Enter the tax amount on line 7. If the Qualified Dividends and Capital Gain Tax Worksheet (in the Form 1040 or Form 1040NR instructions), the Schedule D Tax Worksheet (in the Schedule D instructions), or your actual Schedule J (Form 1040), Income Averaging for Farmers and Fishermen, is used to figure your tax, check the box on line 7. See below for more information and for modifications in figuring your line 7 tax.

Qualified dividends. Qualified dividends are those dividends reported on Form 1040, line 3a, or Form 1040NR, line 10b.

Net capital gain. Net capital gain is the smaller of the gain, if any, on Schedule D (Form 1040), line 15, or the gain, if any, on Schedule D, line 16. If Schedule D isn't required, it is the amount on Schedule 1 (Form 1040), line 13, or Form 1040NR, line 14.

If line 4 of your Form 8615 includes any qualified dividends or net capital gain, see *Using the Qualified Dividends and Capital Gain Tax Worksheet for line 7 tax* below to figure your tax, unless the Schedule D Tax Worksheet or Schedule J must be used instead.

Schedule D Tax Worksheet. If you have to file Schedule D and line 18 or 19 of your Schedule D is more than zero, use the Schedule D Tax Worksheet to figure your tax. See *Using the Schedule D Tax Worksheet for line 7 tax* next for modifications in figuring your line 7 tax.

Using the Schedule D Tax Worksheet for line 7 tax. If you use the Schedule D Tax Worksheet to figure the line 7 tax, complete that worksheet in its entirety but with the following modifications.

1. **Line 15.** Add Form 8615, line 6, and \$2,600. Enter the **smaller** of the result and the amount listed below for your filing status.

- Single or married filing separately—\$38,600.
 - Head of household—\$51,700.
2. **Line 18b.** Enter the **smallest** of the following three amounts:
 - Line 1 of the Schedule D Tax Worksheet,
 - \$157,500, or
 - The sum of Form 8615, line 6, and \$9,150
 3. **Line 24.** Add Form 8615, line 6, and \$12,700. Enter the **smaller** of the result and the amount listed below for your filing status.
 - Single—\$425,800.
 - Married filing separately—\$239,500.
 - Head of household—\$452,400.
 4. **Line 42.** Complete the 2018 Line 7 Tax Computation Worksheet again, using the amount from line 19 of the Schedule D Tax Worksheet instead of the amount from line 4 of Form 8615.

5. **Line 44.** Figure the tax on the amount on line 1 of the Schedule D Tax Worksheet using the 2018 Line 7 Tax Computation Worksheet.

Using the Qualified Dividends and Capital Gain Tax Worksheet for line 7 tax. If you use the Qualified Dividends and Capital Gain Tax Worksheet to figure the line 7 tax, complete that worksheet in its entirety but with the following modifications.

1. **Line 8.** Add Form 8615, line 6, and \$2,600. Enter the **smaller** of the result and the amount listed below for your filing status.
 - Single or married filing separately—\$38,600.
 - Head of household—\$51,700.
2. **Line 15.** Add Form 8615, line 6, and \$12,700. Enter the **smaller** of the result and the amount listed below for your filing status.
 - Single—\$425,800.
 - Married filing separately—\$239,500.

- Head of household—\$452,400.
- 3. **Line 24.** Complete the 2018 Line 7 Tax Computation Worksheet again, using the amount from line 7 of the Qualified Dividends and Capital Gain Tax Worksheet instead of the amount from line 4 of Form 8615.
- 4. **Line 26.** Figure the tax on the amount on line 1 of the Qualified Dividends and Capital Gain Tax Worksheet using the 2018 Line 7 Tax Computation Worksheet.

Using Schedule J (Form 1040) for line 7 tax. If line 4 includes any farming or fishing income (including certain amounts received in connection with the Exxon Valdez litigation) and doesn't include any net capital gain or qualified dividends, use it to figure this tax without modifications. The tax may be less if you use Schedule J.

Filing Form 2555 or 2555-EZ. If you file Form 2555 or 2555-EZ (relating to foreign earned income), do not enter the amount from Form 8615, line 7, on Form 1040, line

11. Instead, enter the amount from Form 8615, line 7, on line 4 of the Foreign Earned Income Tax Worksheet. Then complete the rest of the Foreign Earned Income Tax Worksheet to figure your tax.

2018 Line 7 Tax Computation Worksheet

Keep for Your Records



1.	Add Form 8615, line 6, and \$2,550	1.	_____
2.	Enter the smaller of Form 8615, line 4, or line 1	2.	_____
3.	Enter the smaller of line 2 or the amount listed below for your filing status. <ul style="list-style-type: none"> • Single or married filing separately—\$9,525. • Head of household—\$13,600 	3.	_____
4.	Multiply line 3 by 10% (0.10)	4.	_____
5.	Enter the smaller of line 2 or the amount listed below for your filing status. <ul style="list-style-type: none"> • Single or married filing separately—\$38,700. • Head of household—\$51,800 	5.	_____
6.	Subtract line 3 from line 5. If zero or less, enter -0-	6.	_____
7.	Multiply line 6 by 12% (0.12)	7.	_____
8.	Enter the smaller of line 2 or \$82,500	8.	_____
9.	Subtract line 5 from line 8. If zero or less, enter -0-	9.	_____
10.	Multiply line 9 by 22% (0.22)	10.	_____
11.	Add Form 8615, line 6, and \$9,150	11.	_____
12.	Enter the smaller of Form 8615, line 4, or line 11	12.	_____
13.	Enter the smaller of line 12 or \$157,500	13.	_____
14.	Subtract line 8 from line 13. If zero or less, enter -0-	14.	_____
15.	Multiply line 14 by 24% (0.24)	15.	_____
16.	Enter the smaller of line 12 or \$200,000	16.	_____
17.	Subtract line 13 from line 16. If zero or less, enter -0-	17.	_____
18.	Multiply line 17 by 32% (0.32)	18.	_____
19.	Add Form 8615, line 6, and \$12,500	19.	_____
20.	Enter the smaller of Form 8615, line 4, or line 19	20.	_____
21.	Enter the smaller of line 20 or the amount listed below for your filing status. <ul style="list-style-type: none"> • Single or head of household—\$500,000. • Married filing separately—\$300,000 	21.	_____
22.	Subtract line 16 from line 21. If zero or less, enter -0-	22.	_____
23.	Multiply line 22 by 35% (0.35)	23.	_____
24.	Subtract line 21 from Form 8615, line 4. If zero or less, enter -0-	24.	_____
25.	Multiply line 24 by 37% (0.37)	25.	_____
26.	Add lines 4, 7, 10, 15, 18, 23, and 25. Stop. If the Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J (Form 1040) is used to figure your tax, see the instructions, earlier. Otherwise, enter the result here and on Form 8615, line 7	26.	_____

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