

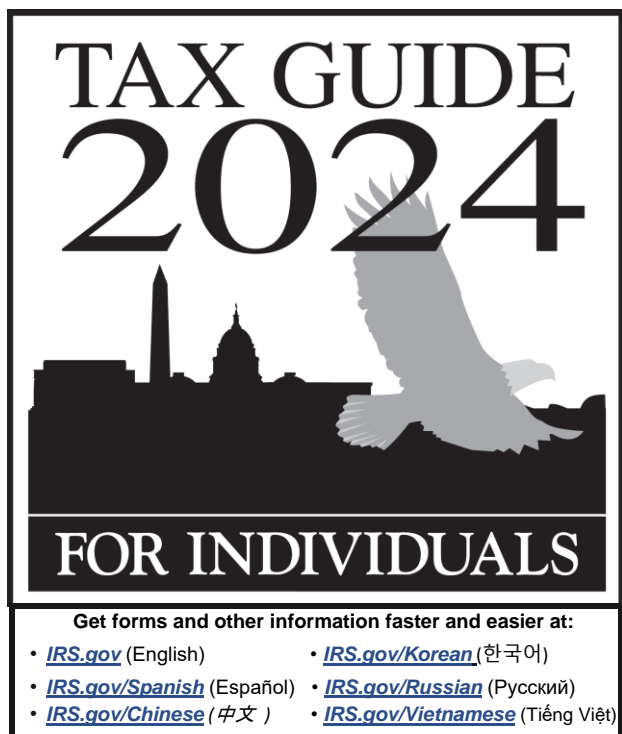
Publication 17

Your Federal Income Tax

For use in preparing

2024 Returns

Volume 4 of 14



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Post-2008 divorce decree or separation agreement. The noncustodial parent can't attach pages from the decree or agreement instead of Form 8332 if the decree or agreement went into effect after 2008. The custodial parent must sign either Form 8332 or a similar statement whose only purpose is to release the custodial parent's claim to an exemption for a child, and the noncustodial parent must attach a copy to their return. The form or statement must release the custodial parent's claim to the child without any conditions. For example, the release must not depend on the noncustodial parent paying support.



The noncustodial parent must attach the required information even if it was filed with a return in an earlier year.

Revocation of release of claim to an exemption. The custodial parent can revoke a release of claim to an exemption. For the revocation to be effective for 2024, the

custodial parent must have given (or made reasonable efforts to give) written notice of the revocation to the noncustodial parent in 2023 or earlier. The custodial parent can use Part III of Form 8332 for this purpose and must attach a copy of the revocation to their return for each tax year the custodial parent claims the child as a dependent as a result of the revocation.

Remarried parent. If you remarry, the support provided by your new spouse is treated as provided by you.

Parents who never married. This special rule for divorced or separated parents also applies to parents who never married and who lived apart at all times during the last 6 months of the year.

Support Test (To Be a Qualifying Child)

To meet this test, the child can't have provided more than half of the child's own support for the year.

This test is different from the support test to be a qualifying relative, which is described later. However, to see what is or isn't support, see *Support Test (To Be a Qualifying Relative)*, later. If you aren't sure whether a child provided more than half of their own support, you may find Worksheet 3-1 helpful.

Example. You provided \$4,000 toward your 16-year-old child's support for the year and the child provided \$6,000. Your child provided more than half their own support. The child isn't your qualifying child.

Foster care payments and expenses.

Payments you receive for the support of a foster child from a child placement agency are considered support provided by the agency. Similarly, payments you receive for the support of a foster child from a state or county are considered support provided by the state or county.

If you aren't in the trade or business of providing foster care and your unreimbursed out-of-pocket expenses in caring for a foster child were mainly to benefit an organization qualified to receive deductible charitable contributions, the expenses are deductible as charitable contributions but aren't considered support you provided. For more information about the deduction for charitable contributions, see Pub. 526. If your unreimbursed expenses aren't deductible as charitable contributions, they may qualify as support you provided.

If you are in the trade or business of providing foster care, your unreimbursed expenses aren't considered support provided by you.

Funds Belonging to the Person You Supported		
1. Enter the total funds belonging to the person you supported, including income received (taxable and nontaxable) and amounts borrowed during the year, plus the amount in savings and other accounts at the beginning of the year. Don't include funds provided by the state; include those amounts on line 23 instead	1.	
2. Enter the amount on line 1 that was used for the person's support	2.	
3. Enter the amount on line 1 that was used for other purposes	3.	
4. Enter the total amount in the person's savings and other accounts at the end of the year	4.	
5. Add lines 2 through 4. (This amount should equal line 1.)	5.	
Expenses for Entire Household (where the person you supported lived)		
6. Lodging (complete line 6a or 6b):		
a. Enter the total rent paid	6a.	
b. Enter the fair rental value of the home. If the person you supported owned the home, also include this amount in line 21	6b.	
7. Enter the total food expenses	7.	
8. Enter the total amount of utilities (heat, light, water, etc., not included in line 6a or 6b)	8.	
9. Enter the total amount of repairs (not included in line 6a or 6b)	9.	
10. Enter the total of other expenses. Don't include expenses of maintaining the home, such as mortgage interest, real estate taxes, and insurance	10.	
11. Add lines 6a through 10. These are the total household expenses	11.	
12. Enter total number of persons who lived in the household	12.	
Expenses for the Person You Supported		
13. Divide line 11 by line 12. This is the person's share of the household expenses	13.	
14. Enter the person's total clothing expenses	14.	
15. Enter the person's total education expenses	15.	
16. Enter the person's total medical and dental expenses not paid for or reimbursed by insurance	16.	
17. Enter the person's total travel and recreation expenses	17.	
18. Enter the total of the person's other expenses	18.	
19. Add lines 13 through 18. This is the total cost of the person's support for the year	19.	
Did the Person Provide More Than Half of the Person's Own Support?		
20. Multiply line 19 by 50% (0.50)	20.	
21. Enter the amount from line 2, plus the amount from line 6b if the person you supported owned the home. This is the amount the person provided for their own support	21.	
22. Is line 21 more than line 20?		
<input type="checkbox"/> No. You meet the support test for this person to be your qualifying child. If this person also meets the other tests to be a qualifying child, stop here; don't complete lines 23–26. Otherwise, go to line 23 and fill out the rest of the worksheet to determine if this person is your qualifying relative.		
<input type="checkbox"/> Yes. You don't meet the support test for this person to be either your qualifying child or your qualifying relative. Stop here.		
Did You Provide More Than Half?		
23. Enter the amount others provided for the person's support. Include amounts provided by state, local, and other welfare societies or agencies. Don't include any amounts included on line 1	23.	
24. Add lines 21 and 23	24.	
25. Subtract line 24 from line 19. This is the amount you provided for the person's support	25.	
26. Is line 25 more than line 20?		
<input type="checkbox"/> Yes. You meet the support test for this person to be your qualifying relative.		
<input type="checkbox"/> No. You don't meet the support test for this person to be your qualifying relative. You can't claim this person as a dependent unless you can do so under a multiple support agreement, the support test for children of divorced or separated parents (or parents who live apart), or the special rule for kidnapped children. See Multiple Support Agreement or Support Test for Children of Divorced or Separated Parents (or Parents Who Live Apart) , or Kidnapped child under Qualifying Relative .		

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Example 1. A foster child lived with a married couple, the Smiths, for the last 3 months of the year. The Smiths cared for the foster child because they wanted to adopt the child (although the child had not been placed with them for adoption). They didn't care for the foster child as a trade or business or to benefit the agency that placed the foster child in their home. The Smiths' unreimbursed expenses aren't deductible as charitable contributions but are considered support they provided for the foster child.

Example 2. You provided \$3,000 toward your 10-year-old foster child's support for the year. The state government provided \$4,000, which is considered support provided by the state, not by the child. See Support provided by the state (welfare, food stamps, housing, etc.), later. Your foster child didn't provide more than half of their own support for the year.

Scholarships. A scholarship received by a child who is a student isn't taken into account in determining whether the child provided more than half of their own support.

Joint Return Test (To Be a Qualifying Child)

To meet this test, the child can't file a joint return for the year.

Exception. An exception to the joint return test applies if your child and the child's spouse file a joint return only to claim a refund of income tax withheld or estimated tax paid.

Example 1—Child files joint return. You supported your 18-year-old child who lived with you all year while your child's spouse was in the Armed Forces. Your child's spouse earned \$35,000 for the year. The couple files a joint return so this child isn't your qualifying child.

Example 2—Child files joint return only as a claim for refund of withheld tax.

Your 18-year-old child and your child's 17-year-old spouse had \$800 of wages from part-time jobs and no other income. They lived with you all year. Neither is required to file a tax return. They don't have a child. Taxes were taken out of their pay so they filed a joint return only to get a refund of the withheld taxes. The exception to the joint return test applies, so this child may be your qualifying child if all the other tests are met.

Example 3—Child files joint return to claim American opportunity credit. The facts are the same as in *Example 2*, except no taxes were taken out of either spouse's pay. However, they file a joint return to claim an American opportunity credit of \$124 and get a refund of that amount. Because they filed a joint return claiming the American opportunity credit, they aren't filing it only to get a refund of income tax withheld or

estimated tax paid. The exception to the joint return test doesn't apply, so this child isn't your qualifying child.

Qualifying Child of More Than One Person



If your qualifying child isn't a qualifying child of anyone else, this topic doesn't apply to you and you don't need to read about it. This is also true if your qualifying child isn't a qualifying child of anyone else except your spouse with whom you plan to file a joint return.



If a child is treated as the qualifying child of the noncustodial parent under the rules for children of divorced or separated parents (or parents who live apart) described earlier, see Applying the tiebreaker rules to divorced or separated parents (or parents who live apart), later.

Sometimes, a child meets the relationship, age, residency, support, and joint return tests to be a qualifying child of more than one person. Although the child is a qualifying child of each of these persons, generally only one person can actually treat the child as a qualifying child to take all of the following tax benefits (provided the person is eligible for each benefit).

1. The child tax credit, credit for other dependents, or additional child tax credit.
2. Head of household filing status.
3. The credit for child and dependent care expenses.
4. The exclusion from income for dependent care benefits.
5. The earned income credit.

The other person can't take any of these benefits based on this qualifying child. In other words, you and the other person can't agree to divide these benefits between you.

Tiebreaker rules. To determine which person can treat the child as a qualifying child to claim these five tax benefits, the following tiebreaker rules apply. For purposes of these tiebreaker rules, the term "parent" means a biological or adoptive parent of an individual. It doesn't include a stepparent or foster parent unless that person has adopted the individual.

- If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.
- If the parents file a joint return together and can claim the child as a qualifying child, the child is treated as the qualifying child of the parents.

- If the parents don't file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time during the year. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher AGI for the year.
- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for the year.
- If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child.

Subject to these tiebreaker rules, you and the other person may be able to choose which of you claims the child as a qualifying child.



You may be able to qualify for the earned income credit under the rules for taxpayers without a qualifying child if you have a qualifying child for the earned income credit who is claimed as a qualifying child by another taxpayer. For more information, see Pub. 596.

Example 1—Child lived with parent and grandparent. You and your 3-year-old child Jordan lived with your parent all year. You are 25 years old and unmarried, and your AGI is \$9,000. Your parent's AGI is \$15,000. Your child's other parent didn't live with you or your child. You haven't signed Form 8332 (or a similar statement).

Jordan is a qualifying child of both you and your parent because Jordan meets the relationship, age, residency, support, and joint return tests for both you and your

parent. However, only one of you can claim Jordan. Your child isn't a qualifying child of anyone else, including Jordan's other parent. You agree to let your parent claim Jordan. This means your parent can claim Jordan as a qualifying child for all of the five tax benefits listed earlier, if your parent qualifies for each of those benefits (and if you don't claim Jordan as a qualifying child for any of those tax benefits).

Example 2—Parent has higher AGI than grandparent. The facts are the same as in *Example 1*, except your AGI is \$18,000. Because your parent's AGI isn't higher than yours, your parent can't claim Jordan. Only you can claim Jordan.

Example 3—Two persons claim same child. The facts are the same as in *Example 1*, except you and your parent both claim Jordan as a qualifying child. In this case, you, as the child's parent, will be the only one allowed to claim the child as a qualifying

child. The IRS will disallow your parent's claim to the five tax benefits listed earlier based on Jordan. However, your parent may qualify for the earned income credit as a taxpayer without a qualifying child.

Example 4—Qualifying children split between two persons. The facts are the same as in *Example 1*, except you also have two other young children who are qualifying children of both you and your parent. Only one of you can claim each child. However, if your parent's AGI is higher than yours, you can allow your parent to claim one or more of the children. For example, if you claim one child, your parent can claim the other two.

Example 5—Taxpayer who is a qualifying child. The facts are the same as in *Example 1*, except you are only 18 years old and didn't provide more than half of your own support for the year. This means you are your parent's qualifying child. If your parent can claim you as a dependent, then you can't

claim your child as a dependent because of the *Dependent Taxpayer Test*, explained earlier, unless your parent files a return only to claim a refund of income tax withheld or estimated tax paid.

Example 6—Separated parents. You, your spouse, and your 10-year-old child all lived in the United States for all of 2024. On August 1, 2024, your spouse moved out of the household. In August and September, your child lived with you. For the rest of the year, your child lived with your spouse, the child's other parent. Your child is a qualifying child of both you and your spouse because your child lived with each of you for more than half the year and because your child met the relationship, age, support, and joint return tests for both of you. At the end of the year, you and your spouse still weren't divorced, legally separated, or separated under a written separation agreement, so the rule for

children of divorced or separated parents (or parents who live apart) doesn't apply.

You and your spouse will file separate returns. Your spouse agrees to let you treat your child as a qualifying child. This means, if your spouse doesn't claim your child as a qualifying child, you can claim this child as a qualifying child for the child tax credit and exclusion for dependent care benefits (if you qualify for each of those tax benefits).

However, you can't claim head of household filing status because you and your spouse didn't live apart for the last 6 months of the year. As a result, your filing status is married filing separately, so you can't claim the earned income credit because you don't meet the requirements for certain separated spouses to claim the earned income credit when they don't file a joint return. You and your spouse didn't live apart for the last 6 months of 2024, and while you did live apart at the end of 2024, you aren't legally

separated under a written separation agreement or decree of separate maintenance. Therefore, you don't meet the requirements to take the earned income credit as a separated spouse who is not filing a joint return. You also can't take the credit for child and dependent care expenses because your filing status is married filing separately and you and your spouse didn't live apart for the last 6 months of 2024.

Example 7—Separated parents claim same child. The facts are the same as in *Example 6*, except you and your spouse both claim your child as a qualifying child. In this case, only your spouse will be allowed to treat your child as a qualifying child. This is because, during 2024, the child lived with your spouse longer than with you. If you claimed the child tax credit for your child, the IRS will disallow your claim to the child tax credit. If you don't have another qualifying child or dependent, the IRS will also disallow

your claim to the exclusion for dependent care benefits. In addition, because you and your spouse didn't live apart for the last 6 months of the year, your spouse can't claim head of household filing status. As a result, your spouse's filing status is married filing separately. Your spouse can't claim the earned income credit because your spouse doesn't meet the requirements to claim the earned income credit for certain separated spouses. You and your spouse didn't live apart for the last 6 months of 2024, and, while you did live apart at the end of 2024, you aren't legally separated under a written separation agreement or decree of separate maintenance. Therefore, your spouse doesn't meet the requirements to take the earned income credit as a separated spouse who isn't filing a joint return. Your spouse also can't take the credit for child and dependent care expenses because your spouse's filing status is married filing separately and you and your

spouse didn't live apart for the last 6 months of 2024.

Example 8—Unmarried parents. You, your 5-year-old child, Marley, and Marley's other parent lived together in the United States all year. You and Marley's other parent aren't married. Marley is a qualifying child of both you and the other parent because Marley meets the relationship, age, residency, support, and joint return tests for both you and the other parent. Your AGI is \$12,000 and the other parent's AGI is \$14,000. The other parent agrees to let you claim Marley as a qualifying child. This means you can claim Marley as a qualifying child for the child tax credit, head of household filing status, the credit for child and dependent care expenses, the exclusion for dependent care benefits, and the earned income credit, if you qualify for each of those tax benefits (and if the other parent doesn't claim Marley as a qualifying child for any of those tax benefits).

Example 9—Unmarried parents claim same child. The facts are the same as in *Example 8*, except you and Marley's other parent both claim Marley as a qualifying child. In this case, only the other parent will be allowed to treat Marley as a qualifying child. This is because the other parent's AGI, \$14,000, is more than your AGI, \$12,000. If you claimed the child tax credit for Marley, the IRS will disallow your claim to this credit. If you don't have another qualifying child or dependent, the IRS will also disallow your claim to head of household filing status, the credit for child and dependent care expenses, and the exclusion for dependent care benefits. However, you may be able to claim the earned income credit as a taxpayer without a qualifying child.

Example 10—Child didn't live with a parent. You and your sibling's child, Reid, lived with your parent all year. You are 25 years old, and your AGI is \$9,300. Your

parent's AGI is \$15,000. Reid's parents file jointly, have an AGI of less than \$9,000, and don't live with you or Reid. Reid is a qualifying child of both you and your parent because Reid meets the relationship, age, residency, support, and joint return tests for both you and your parent. However, only your parent can treat Reid as a qualifying child. This is because your parent's AGI, \$15,000, is more than your AGI, \$9,300.

Applying the tiebreaker rules to divorced or separated parents (or parents who live apart).

If a child is treated as the qualifying child of the noncustodial parent under the rules described earlier for children of divorced or separated parents (or parents who live apart), only the noncustodial parent can claim the child as a dependent and claim the child tax credit, additional child tax credit, or credit for other dependents for the child. However, only the custodial parent can claim the credit for child and dependent care

expenses or the exclusion for dependent care benefits for the child. Also, generally, the noncustodial parent can't claim the child as a qualifying child for head of household filing status or the earned income credit. Instead, generally, the custodial parent, if eligible, or other eligible person can claim the child as a qualifying child for those two benefits. If the child is the qualifying child of more than one person for these benefits, then the tiebreaker rules just explained determine whether the custodial parent or another eligible person can treat the child as a qualifying child.

Example 1. You and your 5-year-old child, Kody, lived all year with your parent in the United States. Your parent paid the entire cost of keeping up the home. Your AGI is \$10,000. Your parent's AGI is \$25,000. Kody's other parent lived in the United States all year, but didn't live with you or Kody.

Under the rules explained earlier for children of divorced or separated parents (or parents who live apart), Kody is treated as the qualifying child of Kody's other parent, who can claim the child tax credit for the child. Because of this, you can't claim the child tax credit for your child. However, those rules don't allow Kody's other parent to claim Kody as a qualifying child for head of household filing status, the credit for child and dependent care expenses, the exclusion for dependent care benefits, or the earned income credit.

You and your parent didn't have any child care expenses or dependent care benefits, so neither of you can claim the credit for child and dependent care expenses or the exclusion for dependent care benefits. But Kody is a qualifying child of both you and your parent for head of household filing status and the earned income credit because Kody meets the relationship, age, residency,

support, and joint return tests for both you and your parent. (The support test doesn't apply for the earned income credit.) However, you agree to let your parent claim Kody. This means your parent can claim Kody for head of household filing status and the earned income credit if your parent qualifies for each and if you don't claim Kody as a qualifying child for the earned income credit. (You can't claim head of household filing status because your parent paid the entire cost of keeping up the home.) You may be able to claim the earned income credit as a taxpayer without a qualifying child.

Example 2. The facts are the same as in *Example 1*, except your AGI is \$25,000 and your parent's AGI is \$21,000. Your parent can't claim Kody as a qualifying child for any purpose because your parent's AGI isn't higher than yours.

Example 3. The facts are the same as in *Example 1*, except you and your parent both claim Kody as a qualifying child for the earned income credit. Your parent also claims Kody as a qualifying child for head of household filing status. You, as the child's parent, will be the only one allowed to claim Kody as a qualifying child for the earned income credit. The IRS will disallow your parent's claim to head of household filing status unless your parent has another qualifying child or dependent. Your parent can't claim the earned income credit as a taxpayer without a qualifying child because your parent's AGI is more than \$18,591.

Qualifying Relative

Four tests must be met for a person to be your qualifying relative. The four tests are:

1. Not a qualifying child test,
2. Member of household or relationship test,

3. Gross income test, and
4. Support test.

Age. Unlike a qualifying child, a qualifying relative can be any age. There is no age test for a qualifying relative.

Kidnapped child. You may be able to treat a child as your qualifying relative even if the child has been kidnapped. See Pub. 501 for details.

Not a Qualifying Child Test

A child isn't your qualifying relative if the child is your qualifying child or the qualifying child of any other taxpayer.

Example 1. Your 22-year-old child, who is a student, lives with you and meets all the tests to be your qualifying child. This child isn't your qualifying relative.

Example 2. Your 2-year-old child lives with your parents and meets all the tests to be their qualifying child. This child isn't your qualifying relative.

Example 3. Your 30-year-old child lives with you. This child isn't a qualifying child because the age test isn't met. This child may be your qualifying relative if the gross income test and the support test are met.

Example 4. Your 13-year-old grandchild only lived with you for 5 months during the year. Your grandchild isn't your qualifying child because the residency test isn't met. Your grandchild may be your qualifying relative if the gross income test and the support test are met.

Child of person not required to file a return. A child isn't the qualifying child of any other taxpayer and so may qualify as your qualifying relative if the child's parent (or other person for whom the child is defined

as a qualifying child) isn't required to file an income tax return and either:

- Doesn't file an income tax return, or
- Files a return only to get a refund of income tax withheld or estimated tax paid.

Example 1—Return not required. You support an unrelated friend and your friend's 3-year-old child, who lived with you all year in your home. Your friend has no gross income, isn't required to file a 2024 tax return, and doesn't file a 2024 tax return. Both your friend and your friend's child are your qualifying relatives if the support test is met.

Example 2—Return filed to claim refund. The facts are the same as in *Example 1*, except your friend had wages of \$1,500 during the year and had income tax withheld from their wages. Your friend files a return only to get a refund of the income tax

withheld and doesn't claim the earned income credit or any other tax credits or deductions. Both your friend and your friend's child are your qualifying relatives if the support test is met.

Example 3—Earned income credit claimed. The facts are the same as in *Example 2*, except your friend had wages of \$8,000 during the year and claimed the earned income credit. Your friend's child is the qualifying child of another taxpayer (your friend), so you can't claim your friend's child as your qualifying relative. Also, you can't claim your friend as your qualifying relative because of the gross income test, explained later.

Child in Canada or Mexico. You may be able to claim your child as a dependent even if the child lives in Canada or Mexico. If the child doesn't live with you, the child doesn't meet the residency test to be your qualifying child. However, the child may still be your

qualifying relative. If the persons the child does live with aren't U.S. citizens and have no U.S. gross income, those persons aren't "taxpayers," so the child isn't the qualifying child of any other taxpayer. If the child isn't the qualifying child of any other taxpayer, the child is your qualifying relative as long as the gross income test and the support test are met.

You can't claim as a dependent a child who lives in a foreign country other than Canada or Mexico, unless the child is a U.S. citizen, U.S. resident alien, or U.S. national. There is an exception for certain adopted children who lived with you all year. See *Citizen or Resident Test*, earlier.

Example. You provide all the support of your children, ages 6, 8, and 12, who live in Mexico with your parent and have no income. You are single and live in the United States. Your parent isn't a U.S. citizen and has no U.S. income, so your parent isn't a

“taxpayer.” Your children aren't your qualifying children because they don't meet the residency test. But since they aren't the qualifying children of any other taxpayer, they may be your qualifying relatives and you may be permitted to claim them as dependents. You may also be able to claim your parent as a dependent if the gross income and support tests are met.

Member of Household or Relationship Test

To meet this test, a person must either:

1. Live with you all year as a member of your household, or
2. Be related to you in one of the ways listed under *Relatives who don't have to live with you* below.

If at any time during the year the person was your spouse, that person can't be your qualifying relative.

Relatives who don't have to live with you. A person related to you in any of the following ways doesn't have to live with you all year as a member of your household to meet this test.

- Your child, stepchild, or foster child, or a descendant of any of them (for example, your grandchild). (A legally adopted child is considered your child.)
- Your brother, sister, half brother, half sister, stepbrother, or stepsister.
- Your father, mother, grandparent, or other direct ancestor, but not foster parent.
- Your stepfather or stepmother.
- A son or daughter of your brother or sister.
- A son or daughter of your half brother or half sister.

- A brother or sister of your father or mother.
- Your son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

Any of these relationships that were established by marriage aren't ended by death or divorce.

Example. In 2018, you and your spouse began supporting your spouse's unmarried parent, Gene. Your spouse died in 2023. Despite your spouse's death, Gene continues to meet this test, even if Gene doesn't live with you. You can claim Gene as a dependent if all other tests are met, including the gross income and support tests.

Foster child. A foster child is an individual who is placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

Joint return. If you file a joint return, the person can be related to either you or your spouse. Also, the person doesn't need to be related to the spouse who provides support.

For example, you provide more than half the support for your spouse's stepparent. Your spouse's stepparent may be your qualifying relative even if the stepparent doesn't live with you. However, if you and your spouse file separate returns, your spouse's stepparent can be your qualifying relative only if the stepparent lives with you all year as a member of your household.

Temporary absences. A person is considered to live with you as a member of your household during periods of time when one of you, or both, is temporarily absent due to special circumstances such as:

- Illness,
- Education,
- Business,

- Vacation,
- Military service, or
- Detention in a juvenile facility.

If the person is placed in a nursing home for an indefinite period of time to receive constant medical care, the absence may be considered temporary.

Death or birth. A person who died during the year, but lived with you as a member of your household until death, will meet this test. The same is true for a child who was born during the year and lived with you as a member of your household for the rest of the year. The test is also met if a child lived with you as a member of your household except for any required hospital stay following birth.

If your dependent died during the year and you otherwise qualify to claim that person as a dependent, you can still claim that person as a dependent.

Example. Your parent, who met the tests to be your qualifying relative, died on January 15. You can claim your parent as a dependent on your return.

Local law violated. A person doesn't meet this test if at any time during the year the relationship between you and that person violates local law.

Example. Your significant other lived with you as a member of your household all year. However, your relationship violated the laws of the state where you live because your significant other was married to someone else. Therefore, your significant other doesn't meet this test and you can't claim them as a dependent.

Adopted child. An adopted child is always treated as your own child. The term "adopted child" includes a child who was lawfully placed with you for legal adoption.

Cousin. Your cousin must live with you all year as a member of your household to meet this test. A cousin is a descendant of a brother or sister of your father or mother.

Gross Income Test

To meet this test, a person's gross income for the year must be less than \$5,050.

Gross income defined. Gross income is all income in the form of money, property, and services that isn't exempt from tax.

In a manufacturing, merchandising, or mining business, gross income is the total net sales minus the cost of goods sold, plus any miscellaneous income from the business.

Gross receipts from rental property are gross income. Don't deduct taxes, repairs, or other expenses to determine the gross income from rental property.

Gross income includes a partner's share of the gross (not a share of the net) partnership income.

Gross income also includes all taxable unemployment compensation, taxable social security benefits, and certain amounts received as scholarship and fellowship grants. Scholarships received by degree candidates and used for tuition, fees, supplies, books, and equipment required for particular courses generally aren't included in gross income. For more information about scholarships, see chapter 8.

Disabled dependent working at sheltered workshop. For purposes of the gross income test, the gross income of an individual who is permanently and totally disabled at any time during the year doesn't include income for services the individual performs at a sheltered workshop. The availability of medical care at the workshop must be the main reason for the individual's presence there. Also, the

income must come solely from activities at the workshop that are incident to this medical care.

A “sheltered workshop” is a school that:

- Provides special instruction or training designed to alleviate the disability of the individual; and
- Is operated by certain tax-exempt organizations, or by a state, a U.S. territory, a political subdivision of a state or territory, the United States, or the District of Columbia.

Permanently and totally disabled has the same meaning here as under *Qualifying Child*, earlier.

Support Test (To Be a Qualifying Relative)

To meet this test, you must generally provide more than half of a person's total support during the calendar year.

However, if two or more persons provide support, but no one person provides more than half of a person's total support, see Multiple Support Agreement, later.

How to determine if support test is met.

You figure whether you have provided more than half of a person's total support by comparing the amount you contributed to that person's support with the entire amount of support that person received from all sources. This includes support the person provided from the person's own funds.

You may find Worksheet 3-1 helpful in figuring whether you provided more than half of a person's support.

Person's own funds not used for support.

A person's own funds aren't support unless they are actually spent for support.

Example. Your parent received \$2,400 in social security benefits and \$300 in interest, paid \$2,000 for lodging and \$400 for recreation, and put \$300 in a savings account.

Even though your parent received a total of \$2,700 (\$2,400 + \$300), your parent spent only \$2,400 (\$2,000 + \$400) for your parent's own support. If you spent more than \$2,400 for your parent's support and no other support was received, you have provided more than half of your parent's support.

Child's wages used for own support. You can't include in your contribution to your child's support any support paid for by the child with the child's own wages, even if you paid the wages.

Year support is provided. The year you provide the support is the year you pay for it, even if you do so with borrowed money that you repay in a later year.

If you use a fiscal year to report your income, you must provide more than half of the dependent's support for the calendar year in which your fiscal year begins.

Armed Forces dependency allotments.

The part of the allotment contributed by the government and the part taken out of your military pay are both considered provided by you in figuring whether you provide more than half of the support. If your allotment is used to support persons other than those you name, you can claim them as dependents if they otherwise qualify.

Example. You are in the Armed Forces. You authorize an allotment for your surviving parent that your surviving parent uses to support themselves and their sibling. If the allotment provides more than half of each person's support, you can claim each of them as a dependent, if they otherwise qualify, even though you authorize the allotment only for your surviving parent.

Tax-exempt military quarters

allowances. These allowances are treated the same way as dependency allotments in figuring support. The allotment of pay and the tax-exempt basic allowance for quarters are both considered as provided by you for support.

Tax-exempt income. In figuring a person's total support, include tax-exempt income, savings, and borrowed amounts used to support that person. Tax-exempt income includes certain social security benefits, welfare benefits, nontaxable life insurance proceeds, Armed Forces family allotments, nontaxable pensions, and tax-exempt interest.

Example 1. You provide \$4,000 toward your parent's support during the year. Your parent has earned income of \$600, nontaxable social security benefits of \$4,800, and tax-exempt interest of \$200, all of which your parent uses for self-support. You can't claim your parent

as a dependent because the \$4,000 you provide isn't more than half of your parent's total support of \$9,600 (\$4,000 + \$600 + \$4,800 + \$200).

Example 2. Your sibling takes out a student loan of \$2,500 and uses it to pay college tuition. Your sibling is personally responsible for the loan. You provide \$2,000 toward their total support. You can't claim them as a dependent because you provide less than half of their support.

Social security benefits. If a married couple receives benefits that are paid by one check made out to both of them, half of the total paid is considered to be for the support of each spouse, unless they can show otherwise.

If a child receives social security benefits and uses them toward their own support, the benefits are considered as provided by the child.

Support provided by the state (welfare, food stamps, housing, etc.). Benefits provided by the state to a needy person are generally considered support provided by the state. However, payments based on the needs of the recipient won't be considered as used entirely for that person's support if it is shown that part of the payments weren't used for that purpose.

TANF and other governmental payments.

Under proposed Treasury regulations, if you received TANF payments or other similar payments and used the payments to support another person, those payments are considered support you provided for that person, rather than support provided by the government or other third party.

Foster care. Payments you receive for the support of a foster child from a child placement agency are considered support provided by the agency. See *Foster care payments and expenses*, earlier.

Home for the aged. If you make a lump-sum advance payment to a home for the aged to take care of your relative for life and the payment is based on that person's life expectancy, the amount of support you provide each year is the lump-sum payment divided by the relative's life expectancy. The amount of support you provide also includes any other amounts you provided during the year.

Total Support

To figure if you provided more than half of a person's support, you must first determine the total support provided for that person. Total support includes amounts spent to provide food, lodging, clothing, education, medical and dental care, recreation, transportation, and similar necessities.

Generally, the amount of an item of support is the amount of the expense incurred in providing that item. For lodging, the amount

of support is the fair rental value of the lodging.

Expenses not directly related to any one member of a household, such as the cost of food for the household, must be divided among the members of the household.

Example 1. A married couple lives with their two children and one of their parents. Their parent gets social security benefits of \$2,400, which the parent spends for clothing, transportation, and recreation. The parent has no other income. The married couple's total food expense for the household is \$5,200. They pay the parent's medical and drug expenses of \$1,200. The fair rental value of the lodging provided for the parent is \$1,800 a year, based on the cost of similar rooming facilities.

Figure the parent's total support as follows.

Fair rental value of lodging	\$ 1,800
Clothing, transportation, and recreation	2,400
Medical expenses	1,200
Share of food (1/5 of \$5,200)	<u>1,040</u>
Total support.....	<u>\$6,440</u>

The support the married couple provide, \$4,040 (\$1,800 lodging + \$1,200 medical expenses + \$1,040 food), is more than half of the parent's \$6,440 total support.

Example 2. Your parents, Aubrey and Bailey, live with you, your spouse, and your two children in a house you own. The fair rental value of your parents' share of the lodging is \$2,000 a year (\$1,000 each), which includes furnishings and utilities. Aubrey receives a

nontaxable pension of \$4,200, which Aubrey spends equally between Aubrey and Bailey for items of support such as clothing, transportation, and recreation. Your total food expense for the household is \$6,000. Your heat and utility bills amount to \$1,200. Bailey has hospital and medical expenses of \$600, which you pay during the year. Figure your parents' total support as follows.

Support provided	Aubrey Bailey	
Fair rental value of lodging . .	\$1,000	\$1,000
Pension spent for their support	2,100	2,100
Share of food (1/6 of \$6,000)	1,000	1,000
Medical expenses for Bailey ..		<u>600</u>
Parents' total support .	\$4,100	\$4,700

You must apply the support test separately to each parent. You provide \$2,000 (\$1,000 lodging + \$1,000 food) of Aubrey's total support of \$4,100—less than half. You provide \$2,600 to Bailey (\$1,000 lodging + \$1,000 food + \$600 medical)—more than half of Bailey's total support of \$4,700. You meet the support test for Bailey, but not Aubrey. Heat and utility costs are included in the fair rental value of the lodging, so these aren't considered separately.

Lodging. If you provide a person with lodging, you are considered to provide support equal to the fair rental value of the room, apartment, house, or other shelter in which the person lives. Fair rental value includes a reasonable allowance for the use of furniture and appliances, and for heat and other utilities that are provided.

Fair rental value defined. Fair rental value is the amount you could reasonably expect to receive from a stranger for the same kind of

lodging. It is used instead of actual expenses such as taxes, interest, depreciation, paint, insurance, utilities, and the cost of furniture and appliances. In some cases, fair rental value may be equal to the rent paid.

If you provide the total lodging, the amount of support you provide is the fair rental value of the room the person uses, or a share of the fair rental value of the entire dwelling if the person has use of your entire home. If you don't provide the total lodging, the total fair rental value must be divided depending on how much of the total lodging you provide. If you provide only a part and the person supplies the rest, the fair rental value must be divided between both of you according to the amount each provides.

Example. Your parents live rent free in a house you own. It has a fair rental value of \$5,400 a year furnished, which includes a fair rental value of \$3,600 for the house and \$1,800 for the furniture. This doesn't include

heat and utilities. The house is completely furnished with furniture belonging to your parents. You pay \$600 for their utility bills. Utilities usually aren't included in rent for houses in the area where your parents live. Therefore, you consider the total fair rental value of the lodging to be \$6,000 (\$3,600 fair rental value of the unfurnished house + \$1,800 allowance for the furnishings provided by your parents + \$600 cost of utilities) of which you are considered to provide \$4,200 (\$3,600 + \$600).

Person living in their own home. The total fair rental value of a person's home that the person owns is considered support contributed by that person.

Living with someone rent free. If you live with a person rent free in that person's home, you must reduce the amount you provide for support of that person by the fair rental value of lodging the person provides you.

Property. Property provided as support is measured by its fair market value. Fair market value is the price that property would sell for on the open market. It is the price that would be agreed upon between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts.

Capital expenses. Capital items, such as furniture, appliances, and cars, bought for a person during the year can be included in total support under certain circumstances.

The following examples show when a capital item is or isn't support.

Example 1. You buy a \$200 power lawn mower for your 13-year-old child. The child is given the duty of keeping the lawn trimmed. Because the lawn mower benefits all members of the household, don't include the cost of the lawn mower in the support of your child.

Example 2. You buy a \$150 television set as a birthday present for your 12-year-old child. The television set is placed in your child's bedroom. You can include the cost of the television set in the support of your child.

Example 3. You pay \$5,000 for a car and register it in your name. You and your 17-year-old child use the car equally. Because you own the car and don't give it to your child but merely let your child use it, don't include the cost of the car in your child's total support. However, you can include in your child's support your out-of-pocket expenses of operating the car for your child's benefit.

Example 4. Your 17-year-old child, using personal funds, buys a car for \$4,500. You provide the rest of your child's support, \$4,000. Because the car is bought and owned by your child, the car's fair market value (\$4,500) must be included in your child's support. Your child has provided more than half of their own total support of \$8,500

(\$4,500 + \$4,000), so this child isn't your qualifying child. You didn't provide more than half of the child's total support, so the child isn't your qualifying relative. You can't claim this child as a dependent.

Medical insurance premiums. Medical insurance premiums you pay, including premiums for supplementary Medicare coverage, are included in the support you provide.

Medical insurance benefits. Medical insurance benefits, including basic and supplementary Medicare benefits, aren't part of support.

Tuition payments and allowances under the GI Bill. Amounts veterans receive under the GI Bill for tuition payments and allowances while they attend school are included in total support.

Example. During the year, your child receives \$2,200 from the government under the GI Bill. Your child uses this amount for their education. You provide the rest of your child's support, \$2,000. Because GI benefits are included in total support, your child's total support is \$4,200 (\$2,200 + \$2,000). You haven't provided more than half of your child's support.

Childcare expenses. If you pay someone to provide child or dependent care, you can include these payments in the amount you provided for the support of your child or disabled dependent, even if you claim a credit for the payments. For information on the credit, see Pub. 503.

Other support items. Other items may be considered as support depending on the facts in each case.

Don't Include in Total Support

The following items aren't included in total support.

1. Federal, state, and local income taxes paid by persons from their own income.
2. Social security and Medicare taxes paid by persons from their own income.
3. Life insurance premiums.
4. Funeral expenses.
5. Scholarships received by your child if your child is a student.
6. Survivors' and Dependents' Educational Assistance payments used for the support of the child who receives them.

Multiple Support Agreement

Sometimes no one provides more than half of the support of a person. Instead, two or more persons, each of whom would be able to claim the person as a dependent but for the support test, together provide more than half of the person's support.

When this happens, you can agree that any one of you who individually provides more than 10% of the person's support, but only one, can claim the person as a dependent. Each of the others must sign a statement agreeing not to claim the person as a dependent for that year. The person who claims the person as a dependent must keep these signed statements for their own records. A multiple support declaration identifying each of the others who agreed not to claim the person as a dependent must be attached to the return of the person claiming the person as a dependent. Form 2120 can be used for this purpose.

You can claim someone as a dependent under a multiple support agreement for someone related to you or for someone who lived with you all year as a member of your household.

Example 1. You, and your siblings, Sam, Bobbi, and Dani, provide the entire support of your parent for the year. You provide 45%, Sam provides 35%, and Bobbi and Dani each provide 10%. Either you or Sam can claim your parent as a dependent; the one who doesn't must sign a statement agreeing not to claim your parent as a dependent. The one who claims your parent as a dependent must attach Form 2120, or a similar declaration, to their return and must keep the statement signed by the other for their records. Because neither Bobbi nor Dani provides more than 10% of the support, neither can claim your parent as a dependent and neither has to sign a statement.

Example 2. You and your sibling each provide 20% of your parent's support for the year. The remaining 60% of your parent's support is provided equally by two persons who are unrelated. Your parent doesn't live with them. Because more than half of your parent's support is provided by persons who can't claim your parent as a dependent, no one can claim your parent as a dependent.

Support Test for Children of Divorced or Separated Parents (or Parents Who Live Apart)

In most cases, a child of divorced or separated parents (or parents who live apart) will be a qualifying child of one of the parents. See *Children of divorced or separated parents (or parents who live apart)* under *Qualifying Child*, earlier. However, if the child doesn't meet the requirements to be a qualifying child of either parent, the child may be a qualifying relative of one of the parents. If you think this might apply to you, see Pub. 501.

Social Security Numbers (SSNs) for Dependents

You must show the SSN of any dependent you list in the *Dependents* section of your Form 1040 or 1040-SR.



If you don't show the dependent's SSN when required, or if you show an incorrect SSN, certain tax benefits may be disallowed.

No SSN. If a person whom you expect to claim as a dependent on your return doesn't have an SSN, either you or that person should apply for an SSN as soon as possible by filing Form SS-5, Application for a Social Security Card, with the Social Security Administration (SSA). You can get Form SS-5 online at [SSA.gov/forms/ss-5.pdf](https://ssa.gov/forms/ss-5.pdf) or at your local SSA office.

It usually takes about 2 weeks to get an SSN once the SSA has all the information it needs. If you don't have a required SSN by the filing due date, you can file Form 4868 for an extension of time to file.

Born and died in 2024. If your child was born and died in 2024, and you don't have an SSN for the child, you may attach a copy of the child's birth certificate, death certificate, or hospital records instead. The document must show the child was born alive. If you do this, enter "DIED" in column (2) of the *Dependents* section of your Form 1040 or 1040-SR.

Alien or adoptee with no SSN. If your dependent doesn't have and can't get an SSN, you must show the Individual Taxpayer Identification Number (ITIN) or adoption taxpayer identification number (ATIN) instead of an SSN.

Taxpayer identification numbers for aliens. If your dependent is a resident or nonresident alien who doesn't have and isn't eligible to get an SSN, your dependent must apply for an ITIN. For details on how to apply, see Form W-7, Application for IRS Individual Taxpayer Identification Number.

Taxpayer identification numbers for adoptees. If you have a child who was placed with you by an authorized placement agency, you may be able to claim the child as a dependent. However, if you can't get an SSN or an ITIN for the child, you must get an ATIN for the child from the IRS. See Form W-7A, Application for Taxpayer Identification Number for Pending U.S. Adoptions, for details.

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4.

Tax Withholding and Estimated Tax

What's New for 2025

Tax law changes for 2025. When you figure how much income tax you want withheld from your pay and when you figure your estimated tax, consider tax law changes effective in 2025. For more information, see Pub. 505, Tax Withholding and Estimated Tax.

Reminders

Estimated tax safe harbor for higher income taxpayers. If your 2024 adjusted gross income was more than \$150,000 (\$75,000 if you are married filing a separate return), you must pay the smaller of 90% of your expected tax for 2025 or 110% of the

tax shown on your 2024 return to avoid an estimated tax penalty.

Introduction

This chapter discusses how to pay your tax as you earn or receive income during the year. In general, the federal income tax is a pay-as-you-go tax. There are two ways to pay as you go.

- ***Withholding.*** If you are an employee, your employer probably withholds income tax from your pay. Tax may also be withheld from certain other income, such as pensions, bonuses, commissions, and gambling winnings. The amount withheld is paid to the IRS in your name.
- ***Estimated tax.*** If you don't pay your tax through withholding, or don't pay enough tax that way, you may have to pay estimated tax. People who are in business for themselves will generally have to pay their tax this way. Also, you may have to

pay estimated tax if you receive income such as dividends, interest, capital gains, rent, and royalties. Estimated tax is used to pay not only income tax, but self-employment tax and alternative minimum tax as well.

This chapter explains these methods. In addition, it also explains the following.

- ***Credit for withholding and estimated tax.*** When you file your 2024 income tax return, take credit for all the income tax withheld from your salary, wages, pensions, etc., and for the estimated tax you paid for 2024. Also take credit for any excess social security or railroad retirement tax withheld. See Pub. 505.
- ***Underpayment penalty.*** If you didn't pay enough tax during the year, either through withholding or by making estimated tax payments, you may have to pay a penalty. In most cases, the IRS can figure this penalty for you. See

Underpayment Penalty for 2024 at the end of this chapter.

Useful Items

You may want to see:

Publication

- ☐ **505** Tax Withholding and Estimated Tax

Form (and Instructions)

- ☐ **W-4** Employee's Withholding Certificate
- ☐ **W-4P** Withholding Certificate for Periodic Pension or Annuity Payments
- ☐ **W-4S** Request for Federal Income Tax Withholding From Sick Pay
- ☐ **W-4V** Voluntary Withholding Request
- ☐ **1040-ES** Estimated Tax for Individuals
- ☐ **2210** Underpayment of Estimated Tax by Individuals, Estates, and Trusts

- ❑ **2210-F** Underpayment of Estimated Tax by Farmers and Fishers

Tax Withholding for 2025

This section discusses income tax withholding on:

- Salaries and wages,
- Tips,
- Taxable fringe benefits,
- Sick pay,
- Pensions and annuities,
- Gambling winnings,
- Unemployment compensation, and
- Certain federal payments.

This section explains the rules for withholding tax from each of these types of income.

This section also covers backup withholding on interest, dividends, and other payments.

Salaries and Wages

Income tax is withheld from the pay of most employees. Your pay includes your regular pay, bonuses, commissions, and vacation allowances.

It also includes reimbursements and other expense allowances paid under a nonaccountable plan. See *Supplemental Wages*, later, for more information about reimbursements and allowances paid under a nonaccountable plan.

If your income is low enough that you won't have to pay income tax for the year, you may be exempt from withholding. This is explained under *Exemption From Withholding*, later.

You can ask your employer to withhold income tax from noncash wages and other wages not subject to withholding. If your employer doesn't agree to withhold tax, or if not enough is withheld, you may have to pay

estimated tax, as discussed later under *Estimated Tax for 2025*.

Military retirees. Military retirement pay is treated in the same manner as regular pay for income tax withholding purposes, even though it is treated as a pension or annuity for other tax purposes.

Household workers. If you are a household worker, you can ask your employer to withhold income tax from your pay. A household worker is an employee who performs household work in a private home, local college club, or local fraternity or sorority chapter.

Tax is withheld only if you want it withheld and your employer agrees to withhold it. If you don't have enough income tax withheld, you may have to pay estimated tax, as discussed later under *Estimated Tax for 2025*.

Farmworkers. Generally, income tax is withheld from your cash wages for work on a farm unless your employer does both of these:

- Pays you cash wages of less than \$150 during the year, and
- Has expenditures for agricultural labor totaling less than \$2,500 during the year.

Differential wage payments. When employees are on leave from employment for military duty, some employers make up the difference between the military pay and civilian pay. Payments to an employee who is on active duty for a period of more than 30 days will be subject to income tax withholding, but not subject to social security, Medicare, or federal unemployment (FUTA) tax withholding. The wages and withholding will be reported on Form W-2, Wage and Tax Statement.

Determining Amount of Tax Withheld Using Form W-4

The amount of income tax your employer withholds from your regular pay depends on two things.

- The amount you earn in each payroll period.
- The information you give your employer on Form W-4.

Form W-4 includes steps to help you figure your withholding. Complete Steps 2 through 4 only if they apply to you.

- **Step 1.** Enter your personal information including your filing status.
- **Step 2.** Complete this step if you have more than one job at the same time or are married filing jointly and you and your spouse both work.
- **Step 3.** Complete this step if you claim dependents and other credits.

- **Step 4.** Complete this optional step to make other adjustments. *Other income

*Deductions *Extra withholding

New Job

When you start a new job, you must fill out Form W-4 and give it to your employer. Your employer should have copies of the form. If you need to change the information later, you must fill out a new form.

If you work only part of the year (for example, you start working after the beginning of the year), too much tax may be withheld. You may be able to avoid overwithholding if your employer agrees to use the part-year method. See *Part-Year Method* in chapter 1 of Pub. 505 for more information.

Employee also receiving pension income.

If you receive pension or annuity income and begin a new job, you will need to file Form W-4 with your new employer. However, you can

choose to split your withholding between your pension and job in any manner.

Changing Your Withholding

During the year, changes may occur to your marital status, adjustments, deductions, or credits you expect to claim on your tax return. When this happens, you may need to give your employer a new Form W-4 to change your withholding status.

If a change in personal circumstances reduces the amount of withholding you are entitled to claim, you are required to give your employer a new Form W-4 within 10 days after the change occurs.

Changing your withholding for 2026. If events in 2025 will change the amount of withholding you should claim for 2026, you must give your employer a new Form W-4 by December 1, 2025. If the event occurs in December 2025, submit a new Form W-4 within 10 days.

Checking Your Withholding

After you have given your employer a Form W-4, you can check to see whether the amount of tax withheld from your pay is too little or too much. If too much or too little tax is being withheld, you should give your employer a new Form W-4 to change your withholding. You should try to have your withholding match your actual tax liability. If not enough tax is withheld, you will owe tax at the end of the year and may have to pay interest and a penalty. If too much tax is withheld, you will lose the use of that money until you get your refund. Always check your withholding if there are personal or financial changes in your life or changes in the law that might change your tax liability.

Note. You can't give your employer a payment to cover withholding on salaries and wages for past pay periods or a payment for estimated tax.

Completing Form W-4 and Worksheets

Form W-4 has worksheets to help you figure the correct amount of withholding you can claim. The worksheets are for your own records. Don't give them to your employer.

Multiple Jobs Worksheet. If you have income from more than one job at the same time, or are married filing jointly and you and your spouse both work, complete the Multiple Jobs Worksheet on the Form W-4.

If you and your spouse expect to file separate returns, figure your withholding using separate worksheets based on your own individual income, adjustments, deductions, and credits.

Deductions Worksheet. Use the Deductions Worksheet on Form W-4 if you plan to itemize deductions or claim certain adjustments to income and you want to reduce your withholding. Also complete this worksheet

when you have changes to these items to see if you need to change your withholding.

Getting the Right Amount of Tax Withheld

In most situations, the tax withheld from your pay will be close to the tax you figure on your return if you follow these two rules.

- You accurately complete all the Form W-4 worksheets that apply to you.
- You give your employer a new Form W-4 when changes occur.

But because the worksheets and withholding methods don't account for all possible situations, you may not be getting the right amount withheld. This is most likely to happen in the following situations.

- You are married and both you and your spouse work.
- You have more than one job at a time.

- You have nonwage income, such as interest, dividends, alimony, unemployment compensation, or self-employment income.
- You will owe additional amounts with your return, such as self-employment tax.
- Your withholding is based on obsolete Form W-4 information for a substantial part of the year.
- You work only part of the year.
- You change the amount of your withholding during the year.
- You are subject to Additional Medicare Tax or Net Investment Income Tax (NIIT). If you anticipate liability for Additional Medicare Tax or NIIT, you may request that your employer withhold an additional amount of income tax withholding on Form W-4.

Cumulative wage method. If you change the amount of your withholding during the year, too much or too little tax may have been withheld for the period before you made the change. You may be able to compensate for this if your employer agrees to use the cumulative wage withholding method for the rest of the year. You must ask your employer in writing to use this method.

To be eligible, you must have been paid for the same kind of payroll period (weekly, biweekly, etc.) since the beginning of the year.

Publication 505

To make sure you are getting the right amount of tax withheld, get Pub. 505. It will help you compare the total tax to be withheld during the year with the tax you can expect to figure on your return. It will also help you determine how much, if any, additional withholding is needed each payday to avoid owing tax when you file your return. If you

don't have enough tax withheld, you may have to pay estimated tax, as explained under *Estimated Tax for 2025*, later.



You can use the Tax Withholding Estimator at [IRS.gov/W4App](https://www.irs.gov/W4App), instead of Pub. 505 or the worksheets included with Form W-4, to determine whether you need to have your withholding increased or decreased.

Rules Your Employer Must Follow

It may be helpful for you to know some of the withholding rules your employer must follow. These rules can affect how to fill out your Form W-4 and how to handle problems that may arise.

New Form W-4. When you start a new job, your employer should have you complete a Form W-4. Beginning with your first payday, your employer will use the information you give on the form to figure your withholding.

If you later fill out a new Form W-4, your employer can put it into effect as soon as possible. The deadline for putting it into effect is the start of the first payroll period ending 30 or more days after you turn it in.

No Form W-4. If you don't give your employer a completed Form W-4, your employer must withhold at the highest rate, as if you were single.

Repaying withheld tax. If you find you are having too much tax withheld because you didn't claim the correct amount of withholding you are entitled to, you should give your employer a new Form W-4. Your employer can't repay any of the tax previously withheld. Instead, claim the full amount withheld when you file your tax return.

However, if your employer has withheld more than the correct amount of tax for the Form W-4 you have in effect, you don't have to fill out a new Form W-4 to have your withholding lowered to the correct amount. Your employer

can repay the amount that was withheld incorrectly. If you aren't repaid, your Form W-2 will reflect the full amount actually withheld, which you would claim when you file your tax return.

Exemption From Withholding

If you claim exemption from withholding, your employer won't withhold federal income tax from your wages. The exemption applies only to income tax, not to social security, Medicare, or FUTA tax withholding.

You can claim exemption from withholding for 2025 only if both of the following situations apply.

- For 2024, you had a right to a refund of all federal income tax withheld because you had no tax liability.
- For 2025, you expect a refund of all federal income tax withheld because you expect to have no tax liability.

Students. If you are a student, you aren't automatically exempt. See chapter 1 to find out if you must file a return. If you work only part time or only during the summer, you may qualify for exemption from withholding.

Age 65 or older or blind. If you are 65 or older or blind, use Worksheet 1-1 or 1-2 in chapter 1 of Pub. 505 to help you decide if you qualify for exemption from withholding. Don't use either worksheet if you will itemize deductions or claim tax credits on your 2025 return. Instead, see *Itemizing deductions or claiming credits* in chapter 1 of Pub. 505.

Claiming exemption from withholding.

To claim exemption, you must give your employer a Form W-4. Write "Exempt" on the form in the space below Step 4(c) and complete the applicable steps of the form.

If you claim exemption, but later your situation changes so that you will have to pay income tax after all, you must file a new Form W-4 within 10 days after the change. If you

claim exemption in 2025, but you expect to owe income tax for 2026, you must file a new Form W-4 by December 1, 2025.

Your claim of exempt status may be reviewed by the IRS.

An exemption is good for only 1 year.

You must give your employer a new Form W-4 by February 15 each year to continue your exemption.

Supplemental Wages

Supplemental wages include bonuses, commissions, overtime pay, vacation allowances, certain sick pay, and expense allowances under certain plans. The payer can figure withholding on supplemental wages using the same method used for your regular wages. However, if these payments are identified separately from your regular wages, your employer or other payer of supplemental wages can withhold income tax from these wages at a flat rate.

Expense allowances. Reimbursements or other expense allowances paid by your employer under a nonaccountable plan are treated as supplemental wages.

Reimbursements or other expense allowances paid under an accountable plan that are more than your proven expenses are treated as paid under a nonaccountable plan if you don't return the excess payments within a reasonable period of time.

For more information about accountable and nonaccountable expense allowance plans, see Pub. 505.

Penalties

You may have to pay a penalty of \$500 if both of the following apply.

- You make statements or claim withholding on your Form W-4 that reduce the amount of tax withheld.

- You have no reasonable basis for those statements or withholding at the time you prepare your Form W-4.

There is also a criminal penalty for willfully supplying false or fraudulent information on your Form W-4 or for willfully failing to supply information that would increase the amount withheld. The penalty upon conviction can be either a fine of up to \$1,000 or imprisonment for up to 1 year, or both.

These penalties will apply if you deliberately and knowingly falsify your Form W-4 in an attempt to reduce or eliminate the proper withholding of taxes. A simple error or an honest mistake won't result in one of these penalties.

Tips

The tips you receive while working on your job are considered part of your pay. You must include your tips on your tax return on the same line as your regular pay. However, tax

isn't withheld directly from tip income, as it is from your regular pay. Nevertheless, your employer will take into account the tips you report when figuring how much to withhold from your regular pay.

For more information on reporting your tips to your employer and on the withholding rules for tip income, see Pub. 531, Reporting Tip Income.

How employer figures amount to withhold. The tips you report to your employer are counted as part of your income for the month you report them. Your employer can figure your withholding in either of two ways.

- By withholding at the regular rate on the sum of your pay plus your reported tips.
- By withholding at the regular rate on your pay plus a percentage of your reported tips.