**Instructions for Form 8615**

**Tax for Children Under Age 14 With Investment Income of More Than $1,600**

**General Instructions**

**Purpose of Form**
For children under age 14, investment income over $1,600 is taxed at the parent’s rate if the parent’s rate is higher than the child’s. If the child’s investment income is more than $1,600, use Form 8615 to figure the child’s tax.

**Investment Income**
For Form 8615, “investment income” includes all taxable income other than earned income as defined on this page. Investment 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, and income (other than earned income) received as the beneficiary of a trust.

**Who Must File**
Form 8615 must be filed for any child who meets the following conditions:
- The child was under age 14 at the end of 2005. A child born on January 1, 1992, is considered to be age 14 at the end of 2005.
- At least one of the child’s parents was alive at the end of 2005.
- The child had more than $1,600 of investment income.
- The child is required to file a tax return.

The parent may be able to elect to report the child’s interest, ordinary dividends, and capital gain distributions on the parent’s return. If the parent makes this election, the child will not have to file a return or Form 8615. However, the federal income tax on the child’s 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.

**Incomplete Information for Parent or Other Children**
If the parent’s taxable income or filing status or the net investment income of the parent’s other children is not known by the due date of the child’s 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.

Investment 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, and income (other than earned income) received as the beneficiary of a trust.

**Amended Return**
If the parent’s tax is figured on Form 8615, the child’s tax must be refigured using the adjusted amounts. If the child’s tax changes, file Form 1040X to correct the child’s tax.

**Alternative Minimum Tax**
A child whose tax is figured on Form 8615 may owe the alternative minimum tax. For details, see Form 6251, Alternative Minimum Tax—Individuals, and its instructions.

**Line Instructions**

**Lines A and B**
If the child’s parents were married to each other and filed a joint return, enter the name and social security number (SSN) of the parent who is listed first on the joint return.

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

If the 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 the child lived for most of the year (the custodial parent).

**Exceptions.** If the 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 is not the child’s parent. If the 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 is not the child’s parent.

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

**Line 1**
If the child had no earned income (defined below), enter the child’s adjusted gross income from Form 1040, line 38; Form 1040A, line 22; or Form 1040NR, line 36.

If the child had earned income, use the worksheet on page 2 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 the child:
- Files Form 2555 or 2555-EZ (relating to foreign earned income),
- Has a net loss from self-employment, or
- Claims a net operating loss deduction.

Earned income includes wages, tips, and other payments received for personal services performed. Generally, it is the total of the amounts reported on Form 1040, lines 7, 12, and 18; Form 1040A, line 7; or Form 1040NR, lines 8, 13, and 19.

**Additional Information**
For more details, see Pub. 929, Tax Rules for Children and Dependents.
## Child's Investment Income Worksheet—Line 1
(keep for your records)

1. Enter the amount from the child's Form 1040, line 22; Form 1040A, line 15; or Form 1040NR, line 23, whichever applies. 

2. Enter the child's earned income (defined on page 1) plus any amount from the child's Form 1040, line 30, or Form 1040NR, line 29, whenever applies. 

3. Subtract line 2 from line 1. Enter the result here and on Form 8615, line 1.

### Line 2
If the child itemized deductions, enter the larger of:

- $1,600, or
- $800 plus the portion of the amount on Schedule A (Form 1040), line 28 (or Form 1040NR, Schedule A, line 17), that is directly connected with the production of the investment income on Form 8615, line 1.

### Line 6
If the parent filed a joint return, enter the taxable income shown on that return even if the parent's spouse is not the child's parent.

### Line 8
Enter on this line the total of lines 5, 6, and 7. You must determine the amount of net capital gain and qualified dividends included on this line before completing line 9.

- **Net capital gain.** Net capital gain is the smaller of the gain, if any, on Schedule D, line 15, or the gain, if any, on Schedule D, line 16. If Schedule D is not required, it is the amount on line 13 of Form 1040, line 10 of Form 1040A, or line 14 of Form 1040NR.

- **Qualified dividends.** Qualified dividends are those dividends reported on line 9b of Form 1040 or Form 1040A or line 10b of Form 1040NR.

### Net capital gain and qualified dividends on line 8.

- If the child, nor the parent, nor any other child has net capital gain, the net capital gain on line 8 is zero.
- If neither the child, nor the parent, nor any other child has qualified dividends, the amount of qualified dividends on line 8 is zero.

- If the child, parent, or any other child has net capital gain, figure the amount of net capital gain included on line 8 by adding together the net capital gain amounts included on lines 5, 6, and 7. If the child, parent, or any other child has qualified dividends, figure the amount of qualified dividends included on line 8 by adding together the qualified dividend amounts included on lines 5, 6, and 7. Use the following discussions to find these amounts.

#### Net capital gain or qualified dividends on line 5.
If the child has a net capital gain or qualified dividends, use the appropriate Line 5 Worksheet on this page or page 3 to find the amount of each included on line 5. These worksheets are needed to adjust the child's net capital gain and qualified dividends by the appropriate allocated amount of the child's deductions.

### Line 5 Worksheet #1
(keep for your records)

Use this worksheet only if line 2 of the child's Form 8615 is more than $1,600 and lines 3 and 5 are the same amount.

1. Enter the child's qualified dividends. 
2. Enter the child's net capital gain. 
3. Enter the amount from the child's Form 8615, line 1. 
4. Divide line 1 by line 3. Enter (rounded to at least three decimal places). 
5. Divide line 2 by line 3. Enter (rounded to at least three decimal places). 
6. Multiply $1,600 by line 4. 
7. Multiply $1,600 by line 5. 
8. Subtract line 6 from line 2. Enter (rounded to at least three decimal places). 
9. Net capital gain on Form 8615, line 5. Subtract line 7 from line 2 (but do not enter less than zero or more than the excess of Form 8615, line 5, over line 8 of this worksheet).

### Line 5 Worksheet #2
(keep for your records)

Use this worksheet only if line 2 of the child's Form 8615 is more than $1,600 and lines 3 and 5 are the same amount.

1. Enter the child's qualified dividends. 
2. Enter the child's net capital gain. 
3. Add lines 6 and 7. 
4. Subtract line 1 from line 2. Enter (rounded to at least three decimal places). 
5. Enter the child's itemized deductions directly connected with the production of the child's qualified dividends or net capital gain. 
7. Subtract line 2 from line 5. 
8. Subtract line 7 from line 2. 
9. Subtract line 6 from line 1. 
10. Enter the amount from the child's Form 8615, line 1. 
11. Enter the result as a decimal (rounded to at least three places). 
12. Subtract line 2 from line 10. Enter the result as a decimal (rounded to at least three places). 
13. Enter the result as a decimal (rounded to at least three places). 
14. Multiply $800 by line 11. 
15. Multiply $800 by line 12. 
16. Enter the result as a decimal (rounded to at least three places). 
17. Enter the result as a decimal (rounded to at least three places). 
18. Subtract line 14 from line 15. 
19. Subtract line 14 from line 8 (but do not enter less than zero or more than the excess of Form 8615, line 5, over line 15 of this worksheet).
Line 5 Worksheet #3
(know for your records)

Use this worksheet only if the child's Form 8615, line 5, is less than line 3.

1. Enter the child's qualified dividends
2. Enter the child's net capital gain
3. Add lines 1 and 2
4. Divide line 1 by line 3. Enter the result as a decimal (rounded to at least three places)
5. If the child itemized deductions, enter the child's itemized deductions directly connected with the production of the income on line 3
6. Multiply line 4 by line 5
7. Subtract line 6 from line 5
8. Subtract line 7 from line 2
9. Subtract line 6 from line 1
10. If the child can claim his or her own exemption, enter $3,200. Otherwise, enter -0-
11. Enter the child's adjusted gross income (Form 1040, line 38; Form 1040A, line 22; or Form 1040NR, line 36)
12. Divide line 3 by line 13. Enter the result as a decimal (rounded to at least three places). Do not enter more than 1.000
13. Multiply line 12 by line 14
14. Multiply line 15 by line 4
15. Subtract line 16 from line 15
16. Net capital gain or qualified dividends on line 7. The net capital gain included on line 7 is the total of the amounts of net capital gain included on line 5 of the other children's Forms 8615. The qualified dividends included on line 7 is the total of the amounts of qualified dividends included on line 5 of the other children's Forms 8615. Find these amounts for each other child as explained under Net capital gain or qualified dividends on line 5 beginning on page 2. (Do not attach the other children's Forms 8615 to the child's return.)

Line 9
Figure the tax using the Tax Table, Tax Computation Worksheet, Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J, whichever applies. Use the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040, 1040A, or 1040NR instructions to figure the tax if you do not have to use the Schedule D Tax Worksheet or Schedule J (see below) and any of the following applies:
- You received qualified dividends.
- You are filing Schedule D, and Schedule D, lines 15 and 16, are both more than zero.
- You do not have to file Schedule D and you received capital gain distributions.

Schedule J. If any farming or fishing income is included on line 8, the tax may be less if you use Schedule J. If Schedule J was used to figure the tax on the parent's return, see Pub. 929 for details on how to figure the tax.

Schedule D Tax Worksheet. If the child, parent, or another child has to file Schedule D and line 18 or 19 of any Schedule D is more than zero, use the Schedule D Tax Worksheet in the instructions for Schedule D to figure the tax. See Pub. 929 for details on how to figure the line 9 tax using the Schedule D Tax Worksheet.

Using the Qualified Dividends and Capital Gain Tax Worksheet for line 9 tax. If you use the Qualified Dividends and Capital Gain Tax Worksheet to figure the line 9 tax, complete that worksheet as follows:
1. On line 1, enter the amount from Form 8615, line 8
2. On line 2, enter the amount of qualified dividends included on Form 8615, line 8
3. On line 3, enter the amount of the net capital gain included on Form 8615, line 8
4. Complete line 4 following the worksheet instructions.
5. If you are completing the worksheet in the Form 1040 instructions, enter on line 5 the total of the amounts, if any, on line 4g of all Forms 4952 filed by the child, parent, or any other child.
6. Complete lines 6 through 19 (lines 5 through 17 of the worksheet in the Form 1040A or Form 1040NR instructions) following the worksheet instructions. Use the parent's filing status to complete lines 6, 16, and 18 (lines 6, 14, and 16 of the worksheet in the Form 1040A or Form 1040NR instructions).

Enter the amount from line 19 of the Qualified Dividends and Capital Gain Tax Worksheet (or line 17 of the worksheet in the Form 1040A or Form 1040NR instructions) on Form 8615, line 9, and check the box on that line. Do not attach this worksheet to the child's return.

Line 10
If the parent filed a joint return, enter the tax shown on that return even if the parent's spouse is not the child’s parent.

Line 15
Figure the tax using the Tax Table, Tax Computation Worksheet, Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J, whichever applies. If line 14 includes any net capital gain or qualified dividends (see below), the Qualified Dividends and Capital Gain Tax Worksheet to figure this tax. However, if the child has to file Schedule D and line 18 or line 19 of the child’s Schedule D is more than zero, use the Schedule D Tax Worksheet to figure this tax instead. See Pub. 929 for details on how to figure the line 15 tax using the Schedule D Tax Worksheet.

Before using the Qualified Dividends and Capital Gain Tax Worksheet to figure the line 15 tax, you will need to know the amount of net capital gain and qualified dividends, if any, included on line 14.

Net capital gain and qualified dividends on line 14. If the child does not have any net capital gain or qualified dividends, line 14 does not include any net capital gain or qualified dividends.

If the child has net capital gain, the amount of net capital gain included on line 14 is the amount from line 2 of the child’s completed Line 5 Worksheet minus the amount from the last line of that worksheet.

If the child has qualified dividends, the amount of qualified dividends

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included on line 14 is the amount from line 1 of the child’s completed Line 5 Worksheet minus the amount from the next to the last line of that worksheet. **Using the Qualified Dividends and Capital Gain Tax Worksheet for line 15 tax.** If you use the Qualified Dividends and Capital Gain Tax Worksheet to figure the line 15 tax, complete that worksheet as follows.

1. On line 1, enter the amount from Form 8615, line 14.
2. On line 2, enter the amount of the qualified dividends included on Form 8615, line 14. (See *Net capital gain and qualified dividends on line 14 on page 3*.)
3. On line 3, enter the amount of the net capital gain included on Form 8615, line 14. (See *Net capital gain and qualified dividends on line 14 on page 3*.)
4. Complete line 4 following the worksheet instructions.
5. If you are completing the worksheet in the Form 1040 instructions, leave line 5 blank.
6. Complete lines 6 through 19 (lines 5 through 17 of the worksheet in the Form 1040A or Form 1040NR instructions) following the worksheet instructions. Use the child’s filing status to complete lines 8, 16, and 18 of the worksheet for Form 1040 (lines 6, 14, and 16 of the worksheet for Form 1040A or Form 1040NR).

Enter the amount from line 19 of this Qualified Dividends and Capital Gain Tax Worksheet (line 17 of the worksheet in the Form 1040A or Form 1040NR instructions) on line 15 of Form 8615 and check the box on that line. Do not attach this worksheet to the child’s return.

**Using Schedule J for line 15 tax.** If line 14 includes any farming or fishing income, the tax may be less if you use Schedule J. See Pub. 929 for details on how to figure the line 15 tax using Schedule J.

**Line 17**

Figure the tax using the Tax Table, Tax Computation Worksheet, Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J, whichever applies. If line 4 includes any qualified dividends or net capital gain, use the Qualified Dividends and Capital Gain Tax Worksheet to figure the tax unless the Schedule D Tax Worksheet has to be used instead. If any farming or fishing income is included on line 4, the tax may be less if you use Schedule J.

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