



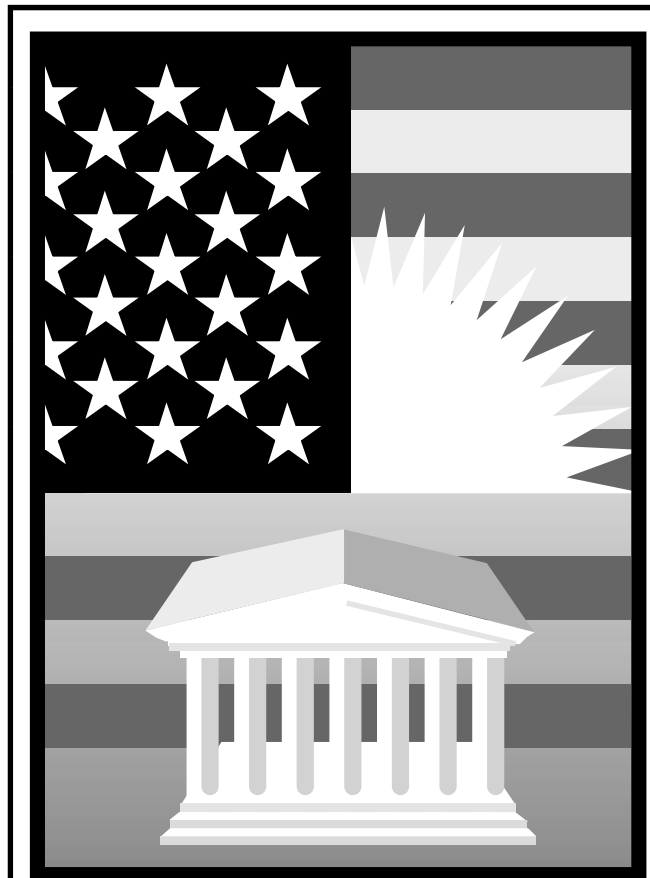
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Tax Rules for Children and Dependents

For use in preparing
1999 Returns



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Important Changes

Filing requirements. The amount of gross income that many dependents with earned income (wages, tips, etc.) can have during the year without having to file a return has increased. See *Filing Requirements* in *Part 1*.

Standard deduction. The standard deduction for many dependents with earned income (wages, tips, etc.) has increased. See *Standard Deduction* in *Part 1*.

Alternative minimum tax. The limit on the exemption amount for figuring the alternative minimum tax of a child filing Form 8615 has increased to the child's earned income plus \$5,100. See *Alternative Minimum Tax* in *Part 2*.

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Important Reminders

Parent's election to report child's interest and dividends. You may be able to elect to include your child's interest and dividends on your tax return. If you make this election, the child does not have to file a return. See *Parent's Election To Report Child's Interest and Dividends* in *Part 2*.

Social security number (SSN). Dependents who are required to file a tax return must have an SSN. To apply for an SSN, Form SS-5 must be filed with the Social Security Administration. It usually takes about 2 weeks to get an SSN.

Individual taxpayer identification number (ITIN). The IRS will issue an ITIN to a non-resident or resident alien who does not have and is not eligible to get a social security number (SSN). To apply for an ITIN, Form W-7 must be filed with the IRS. It usually takes about 30 days to get an ITIN. The ITIN is entered wherever an SSN is requested on a tax return. If you are required to include another person's SSN on your return and that person does not have and cannot get an SSN, enter that person's ITIN.

An ITIN is for tax use only. It does not entitle the holder to social security benefits or change the holder's employment or immigration status under U.S. law.

Exemption. A person who can be claimed as a dependent on another person's tax return cannot claim an exemption for himself or herself on his or her own return.

Introduction

Part 1 of this publication explains the filing requirements and other tax information for individuals who can be claimed as a dependent on another person's tax return.

Part 2 explains how to report and figure the tax on certain investment income of children under age 14 (whether or not they can be claimed as dependents).

Definitions. Many of the terms used in this publication, such as "dependent," "earned income," and "unearned income," are defined in the *Glossary* at the back of this publication.

Useful Items

You may want to see:

Publication

- 501** Exemptions, Standard Deduction, and Filing Information
- 520** Scholarships and Fellowships

Form (and Instructions)

- W-4** Employee's Withholding Allowance Certificate
- 8615** Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,400
- 8814** Parents' Election To Report Child's Interest and Dividends

See *How To Get More Information* near the end of this publication for information about getting these publications and forms.

Part 1. Rules for All Dependents

Terms you may need to know (see Glossary):

Dependent
Earned income
Exemption
Filing status

Gross income
Itemized deductions
Standard deduction
Unearned income

This part of the publication discusses the filing requirements for dependents, who is responsible for a child's return, how to figure a dependent's standard deduction and exemption (if any), and whether a dependent can claim exemption from federal income tax withholding.

Filing Requirements

Whether a dependent has to file a return generally depends on the amount of the dependent's earned and unearned income and whether the dependent is married, is age 65 or older, or is blind.

The following sections apply to dependents with:

- Earned income only,
- Unearned income only, and
- Both earned and unearned income.

To find out whether a dependent must file, read the section that applies, or use *Table 1*.



A dependent may have to file a return even if his or her income is below the amount that would normally require a return. See Other Filing Requirements, later.

Earned Income Only

A dependent must file a return if all his or her income is earned income, and the total is more than the amount listed in the following table.

Marital Status	Amount
Single	
Under 65 and not blind	\$4,300
Either 65 or older or blind	\$5,350
65 or older and blind	\$6,400
Married*	
Under 65 and not blind	\$3,600
Either 65 or older or blind	\$4,450
65 or older and blind	\$5,300

*If a dependent's spouse itemizes deductions on a separate return, the dependent must file a return if the dependent has at least \$5 of gross income (earned and/or unearned).

Example. William is 16. His mother claims an exemption for him on her income tax return. He worked part time on weekends during the school year and full time during the summer. He earned \$4,400 in wages. He did not have any unearned income.

He must file a tax return because he has earned income only and his total income is more than \$4,300. If he were blind, he would not have to file a return because his total income is not more than \$5,350.

Unearned Income Only

A dependent must file a return if all his or her income is unearned income, and the total is more than the amount listed in the following table.

Marital Status	Amount
Single	
Under 65 and not blind	\$700
Either 65 or older or blind	\$1,750
65 or older and blind	\$2,800
Married*	
Under 65 and not blind	\$700
Either 65 or older or blind	\$1,550
65 or older and blind	\$2,400

*If a dependent's spouse itemizes deductions on a separate return, the dependent must file a return if the dependent has at least \$5 of gross income (earned and/or unearned).

Example. Kim is 18 and single. Her parents can claim an exemption for her on their income tax return. She received \$850 of taxable interest and dividend income. She did not work during the year.

She must file a tax return because she has unearned income only and her total income of \$850 is more than \$700. If she were blind, she would not have to file a return because she has unearned income only and her total income is not more than \$1,750.

Election to report child's unearned income on parent's return.

A parent of a child under age 14 may be able to elect to include the child's interest and dividend income (including Alaska Permanent Fund dividends) on the parent's return. See *Parent's Election To Report Child's Interest and Dividends* in Part 2. If the parent makes this election, the child does not have to file a return.

Earned and Unearned Income



A dependent who has both earned and unearned income generally must file a return if his or her gross (total) income is more than line 5 of the following worksheet.

Filing Requirement Worksheet for Most Dependents

- Enter dependent's earned income plus \$250. _____
 - Minimum amount _____ \$700
 - Compare lines 1 and 2. Enter the **larger** amount _____
 - Enter the appropriate amount from the following table _____
- | Marital Status | Amount |
|----------------|---------|
| Single | \$4,300 |
| Married | \$3,600 |
- Compare lines 3 and 4. Enter the **smaller** amount _____
 - Enter the dependent's gross total income _____

If line 6 is more than line 5, the dependent **must file** an income tax return. If the dependent is married and his or her spouse itemizes deductions on a separate return, the dependent must file an income tax return if gross income is \$5 or more.



65 or older and/or blind. A dependent who is 65 or older and/or blind must file a return if his or her gross (total) income is more than line 7 of the following worksheet.

Filing Requirement Worksheet
for Dependents
Who Are 65 or Older
and/or Blind

1. Enter dependent's earned income plus \$250
2. Minimum amount \$700
3. Compare lines 1 and 2. Enter the **larger** amount
4. Enter the appropriate amount from the following table

Marital Status	Amount
Single	\$4,300
Married	\$3,600

5. Compare lines 3 and 4. Enter the **smaller** amount
6. Enter the amount from the following table that applies to the dependent

Marital Status	Amount
Single	
Either 65 or older or blind	\$1,050
65 or older and blind	\$2,100
Married	
Either 65 or older or blind	\$850
65 or older and blind	\$1,700

7. Add lines 5 and 6. Enter the total
8. Enter the dependent's gross (total) income

If line 8 is more than line 7, the dependent **must file** an income tax return. If the dependent is married and his or her spouse itemizes deductions on a separate return, the dependent must file an income tax return if gross income is \$5 or more.

Example 1. Joe is 20, single, and a full-time college student. His parents provide most of his support and claim an exemption for him on their income tax return. He received \$200 taxable interest income and earned \$2,500 from a part-time job.

He does not have to file a tax return because his total income of \$2,700 (\$200 interest plus \$2,500 in wages) is not more than \$2,750 (figured by filling in the *Filing Requirement Worksheet for Most Dependents*, as shown next).

Filled-in Example 1 for Joe
Filing Requirement Worksheet
for Most Dependents

1. Enter dependent's earned income plus \$250 \$2,750
2. Minimum amount \$700
3. Compare lines 1 and 2. Enter the **larger** amount 2,750
4. Enter the appropriate amount from the following table 4,300

Marital Status	Amount
Single	\$4,300
Married	\$3,600

5. Compare lines 3 and 4. Enter the **smaller** amount 2,750
6. Enter the dependent's gross total income 2,700

If line 6 is more than line 5, the dependent **must file** an income tax return. If the dependent is married and his or her spouse itemizes deductions on a separate return, the dependent must file an income tax return if gross income is \$5 or more.

Example 2. The facts are the same as in Example 1 except that Joe had \$400 taxable interest income.

He must file a tax return because his total income of \$2,900 (\$400 interest plus \$2,500 wages) is more than \$2,750, the amount on line 5 of his filled-in worksheet (shown next).

Table 1. 1999 Filing Requirements for Dependents

If your parent (or someone else) can claim you as a dependent, use this table to see if you must file a return.

See the definitions of "dependent", "earned income", and "unearned income" in the *Glossary*.

Single dependents—Were you either age 65 or older or blind?

- No.** You must file a return if any of the following apply.
- Your earned income was over \$4,300.
 - Your unearned income was over \$700.
 - Your gross income was more than the **larger** of:
 - \$700, or
 - Your earned income (up to \$4,050) plus \$250.
- Yes.** You must file a return if any of the following apply.
- Your earned income was over \$5,350 (\$6,400 if 65 or older **and** blind),
 - Your unearned income was over \$1,750 (\$2,800 if 65 or over **and** blind),
 - Your gross income was more than—
- | | | |
|---|------|---|
| The larger of: | PLUS | This amount: |
| • \$700, or | | \$1,050 (\$2,100 if 65 or older and blind) |
| • Your earned income (up to \$4,050) plus \$250 | | |

Married dependents—Were you either age 65 or older or blind?

- No.** You must file a return if either of the following apply.
- Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - Your earned income was over \$3,600.
 - Your unearned income was over \$700.
 - Your gross income was more than the **larger** of:
 - \$700, or
 - Your earned income (up to \$3,350) plus \$250.
- Yes.** You must file a return if any of the following apply.
- Your earned income was over \$4,450 (\$5,300 if 65 or older **and** blind),
 - Your unearned income was over \$1,550 (\$2,400 if 65 or over **and** blind),
 - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - Your gross income was more than—
- | | | |
|---|------|---|
| The larger of: | PLUS | This amount: |
| • \$700, or | | \$850 (\$1,700 if 65 or older and blind) |
| • Your earned income (up to \$3,350) plus \$250 | | |

Filled-in Example 2 for Joe
Filing Requirement Worksheet
for Most Dependents

1. Enter dependent's earned income plus \$250 \$2,750
2. Minimum amount \$700
3. Compare lines 1 and 2. Enter the **larger** amount 2,750
4. Enter the appropriate amount from the following table 4,300

Marital Status	Amount
Single	\$4,300
Married	\$3,600

5. Compare lines 3 and 4. Enter the **smaller** amount 2,750
6. Enter the dependent's gross (total) income 2,900

If line 6 is more than line 5, the dependent **must file** an income tax return. If the dependent is married and his or her spouse itemizes deductions on a separate return, the dependent must file an income tax return if gross income is \$5 or more.

Example 3. The facts are the same as in Example 2 except that Joe is also blind. He does not have to file a return because his total income of \$2,900 is not more than \$3,800 (figured by filling in the *Filing Requirement Worksheet for Dependents Who Are 65 or Older and/or Blind*, as shown next).

Filled-in Example 3 for Joe
Filing Requirement Worksheet
for Dependents
Who Are 65 or Older
and/or Blind

1. Enter dependent's earned income plus \$250 \$2,750
2. Minimum amount \$700
3. Compare lines 1 and 2. Enter the **larger** amount 2,750
4. Enter the appropriate amount from the following table 4,300

Marital Status	Amount
Single	\$4,300
Married	\$3,600

5. Compare lines 3 and 4. Enter the **smaller** amount 2,750
6. Enter the amount from the following table that applies to the dependent 1,050

Marital Status	Amount
Single	
Either 65 or older or blind	\$1,050
65 or older and blind	\$2,100
Married	
Either 65 or older or blind	\$850
65 or older and blind	\$1,700

7. Add lines 5 and 6. Enter the total \$3,800
8. Enter the dependent's gross (total) income \$2,900

If line 8 is more than line 7, the dependent must file an income tax return.

Other Filing Requirements

Some dependents may have to file a tax return even if their income is below the amount that would normally require them to file a return.

A dependent must file a tax return if he or she owes any other taxes, such as:

- 1) Social security and Medicare tax on tips not reported to his or her employer,
- 2) Uncollected social security and Medicare or railroad retirement tax on tips reported to his or her employer or on group-term life insurance,
- 3) Alternative minimum tax,
- 4) Tax on a qualified retirement plan, including an individual retirement arrangement (IRA), or
- 5) Tax from a recapture of investment credit, low-income housing credit, federal mortgage subsidy, or qualified electric vehicle credit.

A dependent must also file a tax return if he or she:

- 1) Received any advance earned income credit payments from his or her employers in 1999,
- 2) Had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes, or
- 3) Had net earnings from self-employment of at least \$400.

Spouse itemizes. A dependent must file a return if the dependent's spouse itemizes deductions on a separate return and the dependent has at least \$5 of gross income (earned and/or unearned).

Who Should File

Even if a dependent does not meet any of the filing requirements discussed earlier, he or she **should** file a tax return if one of the following applies.

- 1) Income tax was withheld from his or her pay.
- 2) He or she qualifies for the earned income credit or the additional child tax credit. See Publication 596 for more information on the earned income credit.

By filing a return, the dependent can get a refund.

Responsibility for Child's Return

Generally, the child is responsible for filing his or her own tax return and for paying any tax, penalties, or interest on that return. If a child cannot file his or her own return for any reason, such as age, the child's parent or guardian is responsible for filing a return on his or her behalf.

Signing the child's return. If the child cannot sign his or her return, a parent or guardian can sign the child's name in the space provided at the bottom of the tax return. Then, he or she should add: "By (signature), parent (or guardian) for minor child."

Authority of parent or guardian. A parent or guardian who signs a return on a child's behalf can deal with the IRS on all matters connected with the return.

A parent or guardian who does not sign the child's return can only provide information concerning the child's return and pay the child's tax. That parent or guardian is not entitled to receive information from the IRS or legally bind the child for a tax liability arising from the return.

A parent or guardian who does not sign the child's return may be designated as the child's representative by the child or the person signing the return on the child's behalf. If designated, a parent or guardian can receive information about the child's return but cannot legally bind the child to a tax liability unless authorized to do so by the law of the state in which the child lives.

Form 2848, Power of Attorney and Declaration of Representative, is used to designate a child's representative. See Publication 947, *Practice Before the IRS and Power of Attorney,* for more information.

IRS notice. If you or the child receives a notice from the IRS concerning the child's return or tax liability, you should immediately inform the IRS that the notice concerns a child. The notice will show who to contact. The IRS will try to resolve the matter with the parent(s) or guardian(s) of the child consistent with their authority.

Child's earnings. The income a child receives for his or her personal services (labor) is the child's, even if, under state law, the parent is entitled to and receives that income.

If the child does not pay the tax due on this income, the parent may be liable for the tax.

Child's expenses. Deductions for payments that are due to the child's earnings are the child's, even if the payments are made by the parent.

Example. You made payments on your child's behalf that are deductible as a business expense and a charitable contribution. You made the payments out of your child's earnings. These items can be deducted only on the child's return.

Standard Deduction

The standard deduction for an individual who can be claimed as a dependent on another person's tax return is generally limited to the larger of:

- 1) \$700, or
- 2) The individual's earned income plus \$250, but not more than the regular standard deduction (generally \$4,300).

However, the standard deduction for a dependent who is 65 or older or blind is higher.

Certain dependents cannot claim any standard deduction. See *Standard Deduction of Zero*, later.

Table 2. Table 2 is used to figure the dependent's standard deduction.

Example 1. Michael is single, 15, and not blind. His parents can claim him as a dependent on their tax return. He has taxable interest income of \$800 and wages of \$150. He enters his earned income plus \$250 (\$400), on line 1 of Table 2. On line 3, he enters \$700, the larger of \$400 and \$700. Michael enters \$4,300 on line 4. On line 5a, he enters \$700, the smaller of \$700 and \$4,300. His standard deduction is \$700.

Example 2. Judy, a full-time student, is single, 22, and not blind. Her parents can claim her as a dependent on their tax return. She has dividend income of \$275 and wages of \$2,500. She enters her earned income plus \$250 (\$2,750) on line 1 of Table 2. On line 3, she enters \$2,750, the larger of \$2,750 and \$700. She enters \$4,300 on line 4. On line 5a, she enters \$2,750 (the smaller of \$2,750 and \$4,300) as her standard deduction.

Example 3. Amy, who is single, is claimed as a dependent on her parents' tax return. She is 18 and blind. She has taxable interest income of \$1,000 and wages of \$2,000. She enters her earned income plus \$250 (\$2,250) on line 1 of Table 2. She enters \$2,250 (the larger of \$2,250 and \$700) on line 3, \$4,300 on line 4, and \$2,250 (the smaller of \$2,250 and \$4,300) on line 5a. Because Amy is blind, she checks the box for blindness and enters "1" in the box at the top of Table 2. She enters \$1,050 on line 5b (number in the box x \$1,050). Her standard deduction on line 5c is \$3,300 (\$2,250 + \$1,050).

Standard Deduction of Zero

The standard deduction for the following dependents is zero.

- 1) A married dependent filing a separate return whose spouse itemizes deductions.
- 2) A dependent who files a return for a period of less than 12 months due to a change in his or her annual accounting period.
- 3) A nonresident or dual-status alien dependent.

Example. Jennifer, who is a dependent of her parents, is entitled to file a joint return with her husband. However, her husband elects to file a separate return and itemize his deductions. Because he itemizes, Jennifer's standard deduction on her return is zero. She can, however, itemize any of her allowable deductions.

Note. If you are a nonresident or dual-status alien who is married to a U.S. citizen or resident at the end of 1999, you may be able to choose to be treated as a U.S. resident for 1999. See Publication 519, *U.S. Tax Guide for Aliens*.

You are considered a dual-status alien if you were both a nonresident alien and a resident alien during the year.



Table 2. **Standard Deduction Worksheet for Dependents**

Use this worksheet ONLY if someone can claim you (or your spouse, if filing jointly) as a dependent.	
If you were 65 or older and/or blind, check the correct number of boxes below. Put the total number of boxes checked on line c and go to line 1.	
a. You	65 or older <input type="checkbox"/> Blind <input type="checkbox"/>
b. Your spouse, if claiming spouse's exemption	65 or older <input type="checkbox"/> Blind <input type="checkbox"/>
c. Total boxes checked	<input type="checkbox"/>
1. Enter your earned income (defined below) plus \$250. If none, go on to line 3.	1. _____
2. Minimum amount.	2. <u>\$700</u>
3. Compare lines 1 and 2. Enter the larger of the two amounts here.	3. _____
4. Enter on line 4 the amount shown below for your filing status. <ul style="list-style-type: none"> • Single—\$4,300 • Married filing separate return—\$3,600 • Married filing jointly or qualifying widow(er) with dependent child—\$7,200 • Head of household—\$6,350 	4. _____
5. Standard deduction.	
a. Compare lines 3 and 4. Enter the smaller amount here. If under 65 and not blind, stop here. This is your standard deduction. Otherwise, go on to line 5b.	5a. _____
b. If 65 or older or blind, multiply \$1,050 (\$850 if married or qualifying widow(er) with dependent child) by the number on line c above. Enter the result here.	5b. _____
c. Add lines 5a and 5b. This is your standard deduction for 1999.	5c. _____
Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in income.	

- 1) For 1999, the employee had a right to a refund of all federal income tax withheld because he or she had no tax liability.
- 2) For 2000, the employee expects a refund of all federal income tax withheld because he or she expects to have no tax liability.

Dependents. An employee who is a dependent ordinarily cannot claim exemption from withholding if both of the following are true.

- 1) The employee's total income will be more than the minimum standard deduction amount, which is \$700 for 1999. (This amount may be higher for 2000.)
- 2) The employee's unearned (investment-type) income will be more than \$250.

Exceptions. An employee who is 65 or older or blind, or who will claim adjustments to income, itemized deductions, or tax credits on his or her 2000 tax return, may be able to claim exemption from withholding even if the employee is a dependent. See the discussions in chapter 1 of Publication 505, *Tax Withholding and Estimated Tax* under *Exemption From Withholding* for more information.

Example. Guy is 17 and a student. During the summer he works part time at a grocery store. He expects to earn about \$1,000 this year. He also worked at the store last summer and received a refund of all his withheld income tax because he did not have a tax liability. The only other income he expects during the year is \$275 interest on a savings account. He expects to be claimed as a dependent on his parents' tax return.

Guy is not blind and will not claim adjustments to income, itemized deductions, or tax credits on his return. He cannot claim exemption from withholding when he fills out Form W-4 because his parents will be able to claim him as a dependent, his total income will be more than the minimum standard deduction amount, and his unearned income will be more than \$250.

Claiming exemption from withholding. An employee who meets both conditions described earlier under *Conditions for exemption from withholding*, must write "EX-EMPT" in the space provided on Form W-4. The employee must complete the rest of the form and give it to his or her employer.

Renewing an exemption from withholding. An exemption from withholding is good for only one year. An employee must file a new Form W-4 by February 15 each year to continue the exemption.

Dependent's Own Exemption

A person who can be claimed as a dependent on another taxpayer's return cannot claim his or her own exemption. This is true even if the other taxpayer does not actually claim the exemption.

Example. James and Barbara have a child, Ben. Ben can be claimed as a dependent on their return. He is a full-time college student who works during the summer and must file a tax return. James and Barbara claim Ben as a dependent on their tax return. Ben cannot claim his own exemption on his return. This is true even if James and Barbara do not claim Ben as a dependent.

Withholding From Wages

Employers generally withhold federal income tax, social security tax, and Medicare tax from an employee's wages. If the employee claims exemption from withholding on **Form W-4**, the employer will not withhold federal income tax. The exemption from withholding does not apply to social security or Medicare taxes.

Conditions for exemption from withholding. An employee can claim exemption from withholding for 2000 only if he or she meets both of the following conditions.

Part 2. Tax on Investment Income of Child Under 14

Terms you may need to know (see Glossary):

Adjusted gross income
Adjustments to income
Alternative minimum tax
Capital gain distribution
Dependent
Earned income
Filing status
Gross income
Investment income
Itemized deductions
Net capital gain
Net investment income
Standard deduction
Tax year
Taxable income
Unearned income

Two special rules apply to the tax on certain investment income of a child under age 14.

- 1) If the child's interest, dividends, and other investment income total more than \$1,400, part of that income may be taxed at the parent's tax rate instead of the child's tax rate. (See *Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,400*, later.)
- 2) The child's parent may be able to choose to include the child's interest and dividend income (including capital gain distributions) on the parent's return rather than file a return for the child. (See *Parent's Election To Report Child's Interest and Dividends*, later.)

For these rules, the term "child" includes a legally adopted child and a stepchild. These rules apply whether or not the child is a dependent.

These rules do **not** apply if:

- 1) The child is not required to file a tax return (see *Filing Requirements in Part 1*), or
- 2) Neither of the child's parents were living at the end of the tax year.

Which Parent's Return To Use

If a child's parents are married to each other and file a joint return, use the joint return to figure the tax on the investment income of a child under 14. For parents who do not file a joint return, the following discussions explain which parent's tax return must be used to figure the tax. Only the parent whose tax return is used can make the election described under *Parent's Election To Report Child's Interest and Dividends*. The tax rate and other return information from that parent's return are used to compute the child's tax as explained later under *Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,400*.

Parents are married. If the child's parents file separate returns, use the return of the parent with the greater taxable income.

Parents not living together. If the child's parents are married to each other but not living together, and the parent with whom the child lives (the custodial parent) is considered unmarried, use the return of the custodial parent. If the custodial parent is not considered unmarried, use the return of the parent with the greater taxable income.

For an explanation of when a married person living apart from his or her spouse is considered unmarried, see *Head of Household* in Publication 501.

Parents are divorced. If the child's parents are divorced or legally separated, and the parent who had custody of the child for the greater part of the year (the custodial parent) has not remarried, use the return of the custodial parent.

Custodial parent remarried. If the custodial parent has remarried, the stepparent (rather than the noncustodial parent) is treated as the child's other parent. Therefore, if the custodial parent and the stepparent file a joint return, use that joint return. Do not use the return of the noncustodial parent.

If the custodial parent and the stepparent are married, but file separate returns, use the return of the one with the greater taxable income. If the custodial parent and the stepparent are married but not living together, the earlier discussion under *Parents not living together* applies.

Parents never married. If a child's parents did not marry each other, but lived together all year, use the return of the parent with the greater taxable income. If the parents did not live together all year, the rules explained earlier under *Parents are divorced* apply.

Widows and widowers. If a widow or widower remarries, the new spouse is treated as the child's other parent. The rules explained earlier under *Custodial parent remarried* apply.

Parent's Election To Report Child's Interest and Dividends

You may be able to elect to include your child's interest and dividend income (including capital gain distributions) on your tax return. If you do, your child will not have to file a return.

You can make this election for 1999 only if **all** the following conditions are met.

- 1) Your child was under age 14 on January 1, 2000.
- 2) Your child is required to file a return for 1999 unless you make this election.
- 3) Your child had income only from interest and dividends (including capital gain distributions and Alaska Permanent Fund dividends).
- 4) The dividend and interest income was less than \$7,000.
- 5) No estimated tax payments were made for 1999 and no 1998 overpayment was applied to 1999 under your child's name and social security number.

- 6) No federal income tax was taken out of your child's income under the backup withholding rules.
- 7) You are the parent whose return must be used when applying the special tax rules for children under 14. (See *Which Parent's Return To Use*, earlier.)

These conditions are also shown in *Figure 1*.

How to make the election. Make the election by attaching **Form 8814** to your Form 1040 or Form 1040NR. Attach a separate Form 8814 for each child for whom you make the election. You can make the election for one or more children and not for others.

If you file Form 8814, you cannot file Form 1040A or Form 1040EZ.

Effect of Making the Election

The federal income tax on your child's income may be more if you make the Form 8814 election rather than file a return for the child.

Rates may be higher. If you use Form 8814, the child's income may be taxed at a higher rate on your return than it would be on the child's own return.

Deductions you cannot take. By making the Form 8814 election, you cannot take any of the following deductions that the child would be entitled to on his or her return.

- 1) The higher standard deduction for a blind child.
- 2) The deduction for a penalty on an early withdrawal of your child's savings.
- 3) Itemized deductions (such as your child's investment expenses or charitable contributions).

Deductible investment interest. If you use Form 8814, your child's investment income is considered your investment income. To figure the limit on your deductible investment interest, add the investment income to yours. However, if your child received capital gain distributions or Alaska Permanent Fund dividends, see chapter 3 of Publication 550, *Investment Income and Expenses*, for information about how to figure the limit.

Alternative minimum tax. If your child received tax-exempt interest from a private activity bond, you must determine if that interest is a tax preference item for alternative minimum tax (AMT) purposes. If it is, you must include it with your own tax preference items when figuring your AMT. For more information, get the instructions for **Form 6251, Alternative Minimum Tax—Individuals**.

Reduced deductions or credits. If you use Form 8814, your increased adjusted gross income may reduce certain deductions or credits on your return, including the following.

- 1) Deduction for contributions to a traditional individual retirement arrangement (IRA).
- 2) Itemized deductions for medical expenses, casualty and theft losses, and certain miscellaneous expenses.
- 3) Total itemized deductions.
- 4) Personal exemptions.
- 5) Credit for child and dependent care expenses.


- 6) Child tax credit.
- 7) Education tax credits.
- 8) Earned income credit.

Penalty for underpayment of estimated tax. If you make this election for 1999 and did not have enough tax withheld or pay enough estimated tax to cover the tax you owe, you may be subject to a penalty. If you plan to make this election for 2000, you may need to increase your federal income tax withholding or your estimated tax payments to avoid the penalty. Get Publication 505 for more information.

Figuring Child's Income

Use **Part I** of Form 8814 to figure your child's interest and dividend income to report on your return. Only the amount over \$1,400 is added to your income. This amount is shown on line 6 of Form 8814. Include this amount on line 21 of Form 1040 or Form 1040NR. In the space next to line 21, write "Form 8814." If you file more than one Form 8814, include the total amounts from line 6 of all your Forms 8814 on line 21.

Capital gain distributions. Enter on line 3 of Form 8814 any capital gain distributions your child received. The amount of these distributions that is added to your income must be reported on Schedule D (Form 1040) or on line 13 of Form 1040. You do not include it on line 6 of Form 8814 or on line 21 of Form 1040. The amount of the distributions that is added to your income is the amount over the allocable part of \$1,400.

 Use the following worksheet to figure the amount to report as capital gain distributions on Schedule D or line 13 of Form 1040 and the amount to report on Form 8814, line 6.

Worksheet (Keep for your records)

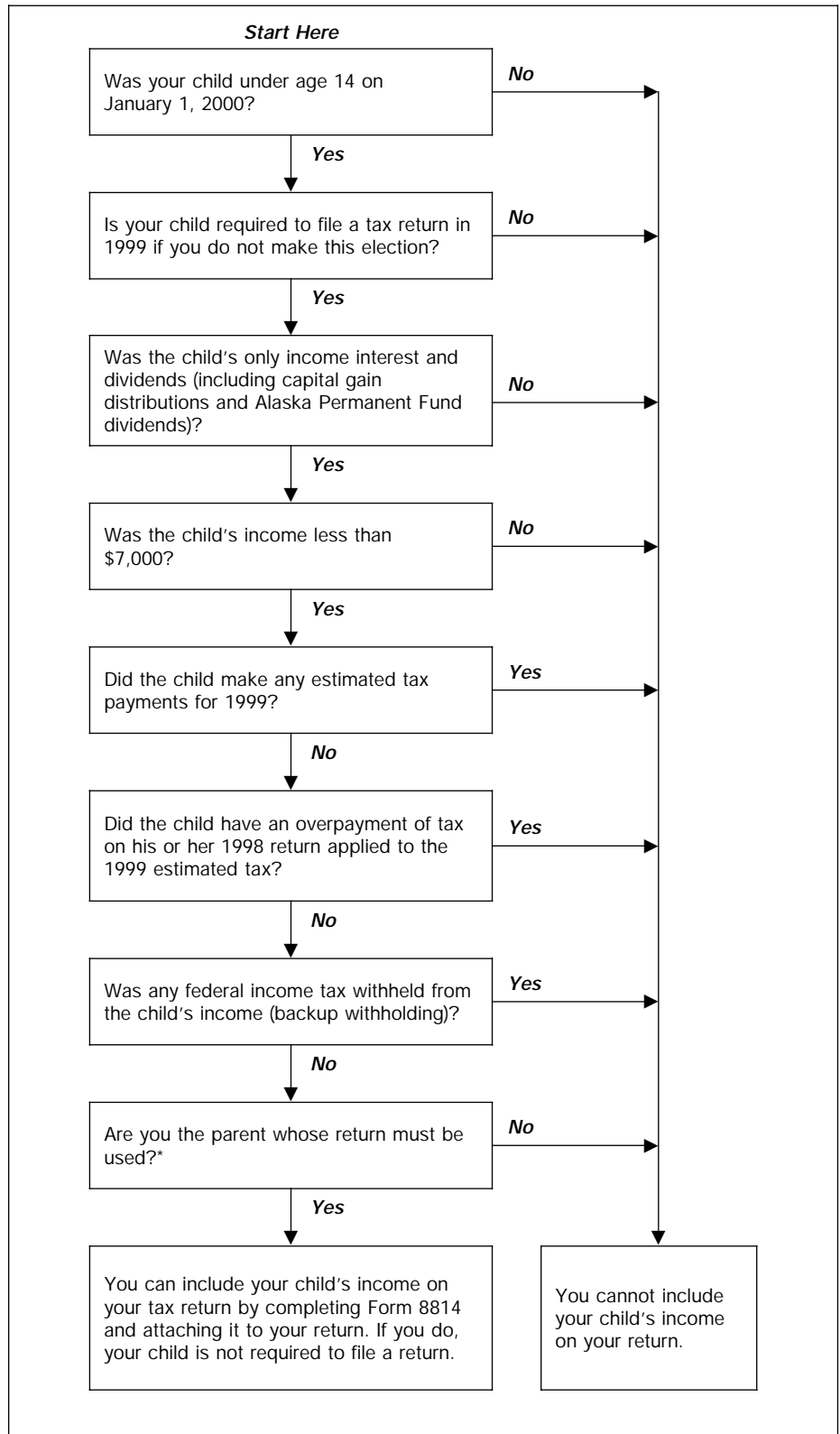
1. Enter amount from Form 8814, line 3 .. _____
2. Enter amount from Form 8814, line 4 .. _____
3. Divide line 1 by line 2
4. Base amount **\$1,400**
5. Subtract line 4 from line 2
6. Multiply line 5 by the decimal on line 3.
Enter the result here and on Schedule D, line 13, column (f), or on line 13 of Form 1040
7. Subtract line 6 from line 5. Enter the result here and on Form 8814, line 6 ... _____

On the dotted line next to line 6, Form 8814, write "CGD" and the amount from line 6 of this worksheet. On the dotted line next to line 13, Schedule D, or line 13, Form 1040, write "Form 8814" and the amount from line 6 of this worksheet.

If any of the child's capital gain distributions are reported on Form 1099-DIV as 28% rate gain, you must determine how much to also include on Schedule D, line 13, column (g). Multiply the child's capital gain distribution included on line 13, column (f) by a fraction. The numerator is the part of the child's total capital gain distribution that is 28% rate gain. The denominator is the child's total capital gain distribution.

If any of the child's capital gain distributions are reported on Form 1099-DIV as unrecaptured section 1250 gain, you must determine how much to include on line 9 of the *Unrecaptured Section 1250 Gain Work-*

Figure 1. Can You Include Your Child's Income On Your Tax Return?



*See *Which Parent's Return To Use*

sheet for line 25 of Schedule D, in the instructions. Multiply the child's capital gain distribution included on line 13, column (f) by a fraction. The numerator is the part of the child's total capital gain distribution that is unrecaptured section 1250 gain. The denominator is the child's total capital gain distribution.

If any of the child's capital gain distributions are reported as section 1202 gain (gain

on qualified small business stock) on Form 1099-DIV, part or all of that gain may be eligible for the section 1202 exclusion. (For information about the exclusion, see the instructions for Schedule D and chapter 4 of Publication 550.) To figure that part, multiply the child's capital gain distribution included on line 13, column (f) by a fraction. The numerator is the part of the child's total capital gain distribution that is section 1202 gain.

The denominator is the child's total capital gain distribution. Your section 1202 exclusion is generally 50% of the result, but may be subject to a limit. See the instructions for Schedule D for information on how to report the exclusion amount.

Example. Fred is 6 years old. In 1999, he received dividend income of \$1,600, which included a \$320 capital gain distribution from a mutual fund. (None of the distributions were reported on Form 1099-DIV as 28% gain, unrecaptured section 1250 gain, or section 1202 gain.) He has no other income and is not subject to backup withholding. No estimated tax payments were made under his name and social security number.

Fred's parents elect to include Fred's income on their tax return instead of filing a return for him. They enter \$1,280 on line 2 and \$320 on line 3, Form 8814.

\$200 of Fred's income must be included as income on his parents' tax return (\$1,600 gross income minus \$1,400). They figure the amount to report on line 13 of their Schedule D and the amount to report on line 6, Form 8814, as follows.

Filled-in Worksheet for Fred

1. Enter amount from Form 8814, line 3 ..	<u>\$320</u>
2. Enter amount from Form 8814, line 4 ..	<u>\$1,600</u>
3. Divide line 1 by line 2 ..	<u>.20</u>
4. Base amount ..	<u>\$1,400</u>
5. Subtract line 4 from line 2 ..	<u>\$200</u>
6. Multiply line 5 by the decimal on line 3. Enter the result here and on Schedule D, line 13, column (f), or on line 13 of Form 1040 ..	<u>\$40</u>
7. Subtract line 6 from line 5. Enter the result here and on Form 8814, line 6 ..	<u>\$160</u>

On Form 8814, Fred's parents enter \$160 on line 6 and write "CGD-\$40" on the dotted line next to line 6. They include the \$160 on line 21 of their Form 1040 and write "Form 8814-\$160" on the dotted line next to the total.

On Schedule D, they include \$40 on line 13, column (f) and write "Form 8814-\$40" on the dotted line next to this line.

Figuring Additional Tax

Use **Part II** of Form 8814 to figure the tax on the \$1,400 of your child's interest and dividends that you do not include in your income. This tax is added to the tax figured on your income.

This additional tax is the **smaller** of:

- 1) $15\% \times$ (your child's gross income - \$700), or
- 2) \$105.

Include the amount from line 9 of all your Forms 8814 in the total on line 40, Form 1040, or line 39, Form 1040NR. Check box a on Form 1040, line 40, or Form 1040NR, line 39.

Illustrated Example

David and Linda Parks are married and will file separate tax returns for 1999. Their only child, Philip, is 8. Philip received a Form 1099-INT showing \$3,200 taxable interest income and a Form 1099-DIV showing \$300 ordinary dividends. His parents decide to include that income on one of their returns so they will not have to file a return for Philip.

First, David and Linda each figure their taxable income (Form 1040, line 39) without regard to Philip's income. David's taxable in-

come is \$41,700 and Linda's is \$59,300. Because her taxable income is greater, Linda can elect to include Philip's income on her return.

On Form 8814, Linda enters her name and social security number, then Philip's name and social security number. She enters Philip's taxable interest income, \$3,200, on line 1a. Philip had no tax-exempt interest income, so she leaves line 1b blank. Linda enters Philip's ordinary dividends, \$300, on line 2. Philip did not have any capital gain distributions, so she leaves line 3 blank.

Linda adds lines 1a and 2 and enters the result, \$3,500, on line 4. From that amount she subtracts the \$1,400 base amount shown on line 5 and enters the result, \$2,100, on line 6. This is the part of Philip's income that Linda must add to her income.

Linda includes the \$2,100 in the total on line 21 of her Form 1040 and in the space next to that line writes "Form 8814-\$2,100." Adding that amount to her income increases each of the amounts on lines 22, 33, 34, 37, and 39 of her Form 1040 by \$2,100. Linda is not claiming any deductions or credits that are affected by the increase to her income. Therefore, her revised taxable income on line 39 is \$61,400 (\$59,300 + \$2,100).

On Form 8814, Linda subtracts the \$700 shown on line 7 from the \$3,500 on line 4 and enters the result, \$2,800, on line 8. Because that amount is not less than \$700, she enters \$105 on line 9. This is the tax on the first \$1,400 of Philip's income, which Linda did not have to add to her income. She must add this additional tax to the tax figured on her revised taxable income.

The tax on her \$61,400 revised taxable income is \$14,683. She adds \$105, enters the \$14,788 total on line 40 of Form 1040, and checks box a.

Linda attaches Form 8814 to her Form 1040.

Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,400

Part of a child's 1999 investment income may be subject to tax at the parent's tax rate if:

- 1) The child was under age 14 on January 1, 2000,
- 2) The child's investment income was more than \$1,400, and
- 3) The child is required to file a tax return for 1999.

Figure 2 illustrates these requirements.

If you do not or cannot choose to include the child's income on your return, figure the child's tax on **Form 8615**. Attach the form to the child's Form 1040, Form 1040A, or Form 1040NR.

On Form 8615, enter your name and social security number and your child's name and social security number in the spaces provided. (If you filed a joint return, enter the name and social security number listed first on the joint return.) Check the box for your filing status. Then figure the child's tax on Form 8615 in these steps.

1. Figure the child's net investment income.

2. Figure a tentative tax on the net investment income based on the parent's tax rate.

3. Figure the child's tax.

Parent's Return

See *Which Parent's Return To Use*, earlier, for a discussion of which parent's return information must be used on Form 8615.

Different tax years. If you and the child do not have the same tax year, complete Form 8615 using the information on your return for the tax year that ends in the child's tax year.

Example. Kimberly must use her mother's tax and taxable income to complete her Form 8615 for calendar year 1999 (January 1 - December 31). Kimberly's mother files her tax return on a fiscal year basis (July 1 - June 30). Kimberly must use the information on her mother's return for the tax year ending June 30, 1999, to complete her 1999 Form 8615.

Estimated information. If the information needed from your return is not known by the time the child's return is due (usually April 15), you can file the return using estimates.

You can use any reasonable estimate. This includes using information from last year's return. If you use an estimated amount on Form 8615, write "Estimated" on the line next to the amount.

When you get the correct information, file an amended return on Form 1040X, *Amended U.S. Individual Income Tax Return*.

Extension of time to file. Instead of using estimates, you may be able to get an automatic 4-month extension of time to file. To get the extension, you must file **Form 4868**, *Application for Automatic Extension of Time To File U.S. Individual Income Tax Return*.

Calendar year taxpayers must file Form 4868 by April 17, 2000. If you file for an extension, you must file the child's return by August 15, 2000.

An extension of time to file is not an extension of time to pay. You must make an accurate estimate of the tax for 1999. If you cannot pay the full amount due with Form 4868, you can still get the extension. You will owe interest on the unpaid amount. See Form 4868 and its instructions.

Parent's return information not available. If a child cannot get the required information about his or her parent's tax return, the child (or the child's legal representative) can request the necessary information from the Internal Revenue Service.

How to request. A signed, written request for the information must be sent to the Internal Revenue Service Center where the parent's return will be filed. The request must contain **all** of the following.

- 1) A statement that you are making the request to comply with section 1(g) of the Internal Revenue Code and that you have tried to get the information from the parent.
- 2) Proof the child is under 14 years of age (for example, a copy of the child's birth certificate).
- 3) Evidence the child has more than \$1,400 of unearned income (for example, a copy of the child's prior year tax return or

**Parents' Election To Report
Child's Interest and Dividends**

▶ See instructions below and on back.
▶ Attach to parents' Form 1040 or Form 1040NR.

Name(s) shown on your return <p style="text-align:center">Linda Parks</p>	Your social security number <p style="text-align:center">111 : 00 : 1111</p>
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Caution: The Federal income tax on your child's income, including capital gain distributions, may be less if you file a separate tax return for the child instead of making this election. This is because you cannot take certain tax benefits that your child could take on his or her own return. For details, see **Tax Benefits You May Not Take** on the back.

A Child's name (first, initial, and last) <p style="text-align:center">Philip Parks</p>	B Child's social security number <p style="text-align:center">000 : 00 : 0000</p>
--	--

c If more than one Form 8814 is attached, check here

Part I Child's Interest and Dividends To Report on Your Return

1a Enter your child's taxable interest. If this amount is different from the amounts shown on the child's Forms 1099-INT and 1099-OID, see the instructions	1a	3,200	
b Enter your child's tax-exempt interest. DO NOT include this amount on line 1a	1b		
2 Enter your child's ordinary dividends, including any Alaska Permanent Fund dividends. If your child received any ordinary dividends as a nominee, see the instructions	2	300	
3 Enter your child's capital gain distributions. If your child received any capital gain distributions as a nominee, see the instructions	3		
4 Add lines 1a, 2, and 3. If the total is \$1,400 or less, skip lines 5 and 6 and go to line 7. If the total is \$7,000 or more, do not file this form. Your child must file his or her own return to report the income	4	3,500	
5 Base amount	5	1,400	00
6 Subtract line 5 from line 4. If you checked the box on line C above or if you entered an amount on line 3, see the instructions. Also, include this amount in the total on Form 1040, line 21, or Form 1040NR, line 21. In the space next to line 21, enter "Form 8814" and show the amount. Go to line 7 below	6	2,100	

Part II Tax on the First \$1,400 of Child's Interest and Dividends

7 Amount not taxed	7	700	00
8 Subtract line 7 from line 4. If the result is zero or less, enter -0-	8	2,800	
9 Tax. Is the amount on line 8 less than \$700? <input type="checkbox"/> No. Enter \$105 here and see the Note below. <input type="checkbox"/> Yes. Multiply line 8 by 15% (.15). Enter the result here and see the Note below. }	9	105	00

Note: If you checked the box on line C above, see the instructions. Otherwise, include the amount from line 9 in the tax you enter on Form 1040, line 40, or Form 1040NR, line 39. Be sure to check box a on Form 1040, line 40, or Form 1040NR, line 39.

General Instructions

Purpose of Form. Use this form if you elect to report your child's income on your return. If you do, your child will not have to file a return. You can make this election if your child meets **all** of the following conditions:

- Was under age 14 on January 1, 2000.
- Is required to file a 1999 return.
- Had income only from interest and dividends, including Alaska Permanent Fund dividends.
- Had gross income for 1999 that was less than \$7,000.
- Had no estimated tax payments for 1999 (including any overpayment of tax from his or her 1998 return applied to 1999 estimated tax).

- Had no Federal income tax withheld from his or her income.
- You must also qualify. See **Parents Who Qualify To Make the Election** below.
- How To Make the Election.** To make the election, complete and attach Form(s) 8814 to your tax return and file your return by the due date (including extensions). A separate Form 8814 must be filed for **each** child whose income you choose to report.
- Parents Who Qualify To Make the Election.** You qualify to make this election if you file Form 1040 or Form 1040NR and any of the following apply:
 - You are filing a joint return for 1999 with the child's other parent.
 - You and the child's other parent were married to each other but file separate

returns for 1999 AND you had the **higher** taxable income. If you do not know if you had the higher taxable income, see **Pub. 929, Tax Rules for Children and Dependents.**

- You were unmarried, treated as unmarried for Federal income tax purposes, or separated from the child's other parent by a divorce or separate maintenance decree. You must have had custody of your child for most of the year (you were the custodial parent). If you were the custodial parent and you remarried, you may make the election on a joint return with your new spouse. But if you and your new spouse do not file a joint return, you qualify to make the election only if you had **higher** taxable income than your new spouse.

(continued)

copies of Forms 1099 for the current year).

- 4) The name, address, social security number (if known), and filing status (if known) of the parent whose information is to be shown on Form 8615.

A child's legal representative making the request should include a copy of his or her Power of Attorney, such as Form 2848, or proof of legal guardianship.

The IRS cannot process the request before the end of the tax year. In fact, you should also consider getting an extension of time to file the child's return, because there may be a delay in getting the information.

Part I. Figuring Net Investment Income

The first step in figuring a child's tax using Form 8615 is to figure the child's net investment income. To do that, use Part I of Form 8615. For an example, see the *Illustrated Part I of Form 8615*, later.

Line 1 (investment income). If the child had **no earned income**, enter the adjusted gross income shown on the child's return. Adjusted gross income is shown on line 33 of Form 1040; line 18 of Form 1040A; or line 33 of Form 1040NR. Form 1040EZ cannot be used if Form 8615 must be filed.

If the child had **earned income**, figure the amount to enter on line 1 of Form 8615 by using the worksheet in the instructions for the form.



However, use the following worksheet if the child has excluded any foreign earned income or deducted a loss from self-employment or a net operating loss from another year.

Alternate Worksheet for Line 1 of Form 8615

- A. Enter the amount from the child's Form 1040, line 22, or Form 1040NR, line 23
- B. Enter the total of any net loss from self-employment, any net operating loss deduction, any foreign earned income exclusion, and any foreign housing exclusion from the child's Form 1040 or Form 1040NR
- C. Add line A and line B and enter the total. Treat the amount on line B as positive (greater than zero)
- D. Enter the child's earned income plus any deduction the child claims on line 30 of Form 1040 or Form 1040NR. Generally, the child's earned income is the total of the amounts reported on Form 1040, lines 7, 12, and 18 (if line 12 or 18 is a loss, use zero) or Form 1040NR, lines 8, 13, and 19 (if line 13 or 19 is a loss, use zero)
- E. Subtract line D from line C. Enter the result here and on Form 8615, line 1 ..

Investment income defined. Investment income is generally all income other than salaries, wages, and other amounts received as pay for work actually done. It includes taxable interest, dividends, capital gains, the taxable part of social security and pension payments, and certain distributions from trusts. Investment income includes amounts produced by assets the child obtained with earned income (such as interest on a savings account into which the child deposited wages).

Nontaxable income. For this purpose, investment income includes only amounts the child must include in total income. Nontaxable investment income, such as tax-exempt interest and the nontaxable part of social security and pension payments, is not included.

Capital loss. A child's capital losses are taken into account in figuring the child's investment income. Capital losses are first applied against capital gains. If the capital losses are more than the capital gains, the difference (up to \$3,000) is subtracted from the child's interest, dividends (including capital gain distributions), and other investment income. Any difference over \$3,000 is carried to the next year.

Income from property received as a gift. A child's investment income includes all income produced by property belonging to the child. This is true even if the property was transferred to the child, regardless of when the property was transferred or purchased or who transferred it.

A child's investment income includes income produced by property given as a gift to the child. This includes gifts to the child from grandparents or any other person and gifts made under the Uniform Gift to Minors Act.

Example. Amanda Black, 13, received the following income:

- Dividends—\$600
- Wages—\$2,100
- Taxable interest—\$1,200
- Tax-exempt interest—\$100
- Capital gains—\$300
- Capital losses—(\$200)

The dividends were on stock given to her by her grandparents. Amanda's investment income is \$1,900. This is the total of the dividends (\$600), taxable interest (\$1,200), and capital gains reduced by capital losses (\$300 - \$200 = \$100). Her wages are earned (not investment) income because they are received for work actually done. Her tax-exempt interest is not included because it is nontaxable.

Trust income. If a child is the beneficiary of a trust, distributions of taxable interest, dividends, capital gains, and other investment income from the trust are investment income to the child.

Adjustment to income. In figuring the amount to enter on line 1, the child's investment income is reduced by any penalty on the early withdrawal of savings.

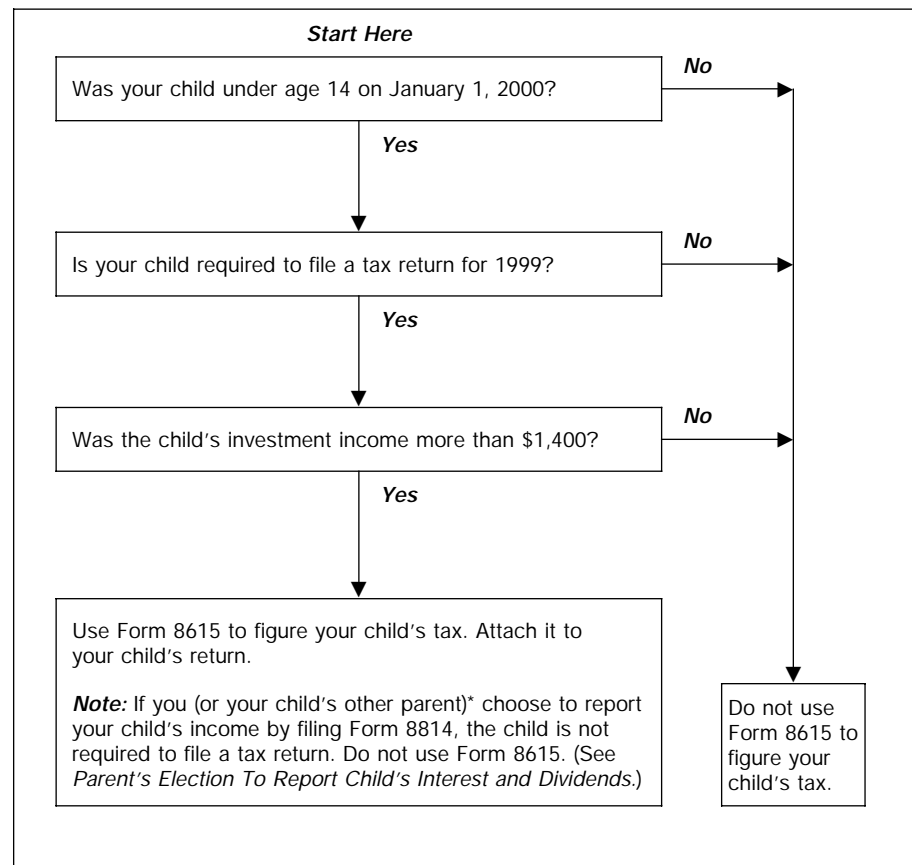
Line 2 (deductions). If the child does not itemize deductions on Schedule A (Form 1040 or Form 1040NR), enter \$1,400 on line 2.

If the child does itemize deductions, enter on line 2 the larger of:

- 1) \$700 plus the child's itemized deductions that are directly connected with the production of the investment income, or
- 2) \$1,400.

Directly connected. Itemized deductions are directly connected with the production of investment income if they are for expenses paid to produce or collect taxable income or to manage, conserve, or maintain property held for producing income. These expenses

Figure 2. Do You Have To Use Form 8615 To Figure Your Child's Tax?



*See *Which Parent's Return To Use*

Illustrated Part I of Form 8615

Carla's total income on Form 1040A, line 14, is \$5,000. This total includes wages (earned income) of \$600 reported on line 7. She has no itemized deductions. Carla's taxable income on Form 1040A, line 24, is \$4,150. Because Carla has earned income, the worksheet in the instructions is used to figure the amount on line 1 of Form 8615.

Carla's filled-in worksheet and Part I of her Form 8615, with lines 1 through 5 filled in, are shown here.

Carla's total income of \$5,000 (as shown on line 14 of her Form 1040A) is entered on

line 1 of the worksheet. Her earned income of \$600 (her wages as shown on line 7 of her Form 1040A) is entered on line 2 of the worksheet. Line 3 is the result of subtracting \$600 from \$5,000.

The amount from line 3 of the worksheet is entered on line 1 of Form 8615. Carla did not itemize deductions, so \$1,400 is entered on line 2. Line 3 of Form 8615 is the result of subtracting \$1,400 from \$4,400. Carla's taxable income of \$4,150 (as shown on line 24 of her Form 1040A) is entered on line 4 of Form 8615. The smaller of \$3,000 or \$4,150 is entered on line 5. This is her net investment income.

Worksheet—Line 1

1. Enter the amount from the child's Form 1040, line 22; Form 1040A, line 14; or Form 1040NR, line 23, whichever applies	5,000
2. Enter the child's earned income plus any deduction the child claims on Form 1040, line 30, or Form 1040NR, line 30, whichever applies	600
3. Subtract line 2 from line 1. Enter the result here and on Form 8615, line 1	4,400

Form 8615	Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,400	OMB No. 1545-0998 1999 Attachment Sequence No. 33
Department of the Treasury Internal Revenue Service		▶ Attach ONLY to the child's Form 1040, Form 1040A, or Form 1040NR.
Child's name shown on return Carla C. Rose		Child's social security number 111 ;0 0; 1111
A Parent's name (first, initial, and last). Caution: See instructions on back before completing. George B. Rose		B Parent's social security number 1 2 3 ;0 0; 4 5 6 7
C Parent's filing status (check one): <input type="checkbox"/> Single <input checked="" type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately <input type="checkbox"/> Head of household <input type="checkbox"/> Qualifying widow(er)		

Part I Child's Net Investment Income		
1 Enter the child's investment income, such as taxable interest and dividends. See instructions. If this amount is \$1,400 or less, stop ; do not file this form	1	4,400
2 If the child did not itemize deductions on Schedule A (Form 1040 or Form 1040NR), enter \$1,400. If the child did itemize deductions, see instructions	2	1,400
3 Subtract line 2 from line 1. If the result is zero or less, stop ; do not complete the rest of this form but do attach it to the child's return	3	3,000
4 Enter the child's taxable income from Form 1040, line 39; Form 1040A, line 24; or Form 1040NR, line 38	4	4,150
5 Enter the smaller of line 3 or line 4	5	3,000

include custodian fees and service charges, service fees to collect taxable interest and dividends, and certain investment counsel fees.

These expenses are added to certain other miscellaneous deductions on Schedule A (Form 1040). Only the amount greater than 2% of the child's adjusted gross income can be deducted. See Publication 529, *Miscellaneous Deductions*, for more information.

Example 1. Roger, 12, has investment income of \$8,000, no other income, no adjustments to income, and itemized deductions of \$300 (net of the 2% of adjusted gross income limit) that are directly connected with his investment income. His adjusted gross income is \$8,000, which is entered on line 1. Line 2 is \$1,400 because that is more than the sum of \$700 and his directly-connected itemized deductions of \$300.

Example 2. Eleanor, 8, has investment income of \$16,000 and an early withdrawal penalty of \$100. She has no other income. She has itemized deductions of \$1,050 (net of the 2% adjusted gross income limit) that are directly connected with the production of her investment income. Her adjusted gross income, entered on line 1, is \$15,900 (\$16,000 - \$100). Line 2 is \$1,750. This is the larger of:

- 1) \$700 plus the \$1,050 of directly connected itemized deductions, or
- 2) \$1,400.

Line 3. If line 2 equals or is more than line 1, do not complete the rest of the form. However, you must still attach Form 8615 to

the child's tax return. Figure the tax on the child's taxable income in the normal manner.

Line 4 (child's taxable income). Enter on line 4 the child's taxable income from Form 1040, line 39; Form 1040A, line 24; or Form 1040NR, line 38.

Line 5 (net investment income). A child's net investment income cannot be more than his or her taxable income. Enter on line 5 the smaller of line 3 or line 4 of Form 8615. This is the child's *net investment income*.

Part II. Figuring Tentative Tax At Parent's Tax Rate

The next step in completing Form 8615 is to figure a tentative tax on the child's net investment income at the parent's tax rate. The tentative tax is the difference between the tax on the parent's taxable income figured with the child's net investment income and the tax figured without it.

When figuring the tentative tax, do not refigure any of the exclusions, deductions, or credits on the parent's return because of the child's net investment income. For example, do not refigure the medical expense deduction.

Figure the tentative tax on lines 6 through 13. For an example, see *Illustrated Part II of Form 8615*.

Line 6 (parent's taxable income). Enter on line 6 the amount from the parent's Form 1040, line 39; Form 1040A, line 24; Form

1040EZ, line 6; TeleFile Tax Record, line J; Form 1040NR, line 38; or Form 1040NR-EZ, line 14. If the parent's taxable income is less than zero, enter zero on line 6.

Line 7 (net investment income of other children). If the tax return information of the parent is also used on any other child's Form 8615, enter on line 7 the total amounts from line 5 of all the other children's Forms 8615. Do not include the amount from line 5 of the Form 8615 being completed.

Example. Paul and Jane Persimmon have three children, Sharon, Jerry, and Mike, who must attach Form 8615 to their tax returns. The children's net investment income amounts on line 5 of their Forms 8615 are:

- Sharon — \$800
- Jerry — \$600
- Mike — \$1,000

Line 7 of Sharon's Form 8615 would show \$1,600, the total of the amounts on line 5 of Jerry's and Mike's Forms 8615.

Line 7 of Jerry's Form 8615 would show \$1,800 (\$800 + \$1,000).

Line 7 of Mike's Form 8615 would show \$1,400 (\$800 + \$600).

Other children's information not available. If the net investment income of the other children is not available when the return is due, either file the return using estimates or get an extension of time to file. Estimates and extensions are discussed earlier under *Parent's Return*.

Illustrated Part II of Form 8615

Randy and his sister must each file Form 8615. Their parents' joint return information is used on the Forms 8615 of both children. The net investment income on line 5 of Randy's Form 8615 is \$2,280. His sister's net investment income is \$1,520. Randy's parents' taxable income is \$30,570. Their tax, from the Tax Table, is \$4,586.

Part II of Randy's Form 8615, with lines 6 through 13 filled in, is shown here.

Randy's parents' taxable income of \$30,570 (from line 39 of Form 1040) is entered on line 6 of Form 8615.

Randy's sister's net investment income of \$1,520 (from line 5 of her Form 8615) is entered on line 7 of Randy's Form 8615. The amounts on line 5 (\$2,280), line 6 (\$30,570), and line 7 (\$1,520) are added and the total of \$34,370 is entered on line 8.

The tax on \$34,370 is found in the Tax Table using the parents' joint filing status. The tax, \$5,156, is entered on line 9. Randy's parents' tax of \$4,586 (from line 40 of Form 1040) is entered on line 10 and is subtracted from the amount on line 9. The difference, \$570, is entered on line 11.

Randy's net investment income on line 5 (\$2,280) is added to his sister's net investment income on line 7 (\$1,520) and the total, \$3,800, is entered on line 12a.

The amount on line 5 (\$2,280) is divided by the amount on line 12a (\$3,800) and the result, .60, is entered on line 12b.

The amount on line 11 (\$570) is multiplied by the amount on line 12b (.60) and the result, \$342, is entered on line 13. This is Randy's tentative tax based on his parents' tax rate.


Part II Tentative Tax Based on the Tax Rate of the Parent Listed on Line A		
6	Enter the parent's taxable income from Form 1040, line 39; Form 1040A, line 24; Form 1040EZ, line 6; TeleFile Tax Record, line K; Form 1040NR, line 38; or Form 1040NR-EZ, line 14. If less than zero, enter -0-	30,570
7	Enter the total net investment income, if any, from Forms 8615, line 5, of all other children of the parent identified above. Do not include the amount from line 5 above	1,520
8	Add lines 5, 6, and 7	34,370
9	Enter the tax on line 8 based on the parent's filing status. See instructions. If the Capital Gain Tax Worksheet or Schedule D or J (Form 1040) is used to figure the tax, check here <input type="checkbox"/>	5,156
10	Enter the parent's tax from Form 1040, line 40; Form 1040A, line 25; Form 1040EZ, line 10; TeleFile Tax Record, line K; Form 1040NR, line 39; or Form 1040NR-EZ, line 15. If any tax is from Form 4972 or 8814 , see instructions. If the Capital Gain Tax Worksheet or Schedule D or J (Form 1040) was used to figure the tax, check here <input type="checkbox"/>	4,586
11	Subtract line 10 from line 9 and enter the result. If line 7 is blank, also enter this amount on line 13 and go to Part III	570
12a	Add lines 5 and 7	3,800
b	Divide line 5 by line 12a. Enter the result as a decimal (rounded to at least three places)	× .600
13	Multiply line 11 by line 12b	342

Line 8 (parent's taxable income plus children's net investment income). The method you will use on line 9 to figure the tax on this amount depends on whether it includes any net capital gain. If line 5, 6, or 7 includes net capital gain, then line 8 also includes net capital gain.

Net capital gain is the excess of net long-term capital gain over net short-term capital loss. If **Schedule D** (Form 1040) is required, this is the smaller of the gain on line 16 or the gain on line 17 of Schedule D. If Schedule D is not required, this is the amount on line 13 of Form 1040.


To figure the tax on line 9 of Form 8615, you will need to know the amounts of net capital gain included on lines 5, 6, 7, and 8. Use the following discussions to find these amounts.

Net capital gain on line 5. If the child has a net capital gain, use the appropriate worksheet below to find the amount of net capital gain included on line 5.

 Use the following worksheet only if line 2 of the child's Form 8615 is \$1,400 and lines 3 and 5 are the same amount.


Line 5 Worksheet #1

- A. Enter the child's net capital gain _____
- B. Enter the amount from line 1 of the child's Form 8615 _____
- C. Divide line A by line B (but do not enter more than 1) _____
- D. Multiply \$1,400 by line C _____
- E. Subtract line D from line A. Enter the result here (but do not enter more than the amount on line 5 of Form 8615). This is the net capital gain included on line 5. _____

 Use the following worksheet only if line 2 of the child's Form 8615 is **more** than \$1,400 and lines 3 and 5 are the same amount.

Line 5 Worksheet #2

- A. Enter the child's net capital gain _____
- B. Enter the child's itemized deductions directly connected with the production of the child's net capital gain _____
- C. Subtract line B from line A _____
- D. Enter the amount from line 1 of the child's Form 8615 _____
- E. Divide line A by line D (but do not enter more than 1) _____
- F. Multiply \$700 by line E _____
- G. Subtract line F from line C. Enter the result here (but do not enter more than the amount on line 5 of Form 8615). This is the net capital gain included on line 5. _____

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

Line 5 Worksheet #3

- A. Enter the child's net capital gain _____
- B. If the child itemized deductions, enter the child's itemized deductions directly connected with the production of the child's net capital gain _____
- C. Subtract line B from line A _____

D. If the child can claim his or her own exemption, enter \$2,750*. Otherwise, enter zero _____

E. If the child itemized deductions, enter the child's itemized deductions *not* directly connected with the production of the child's net capital gain. Otherwise, enter the child's standard deduction _____

F. Add lines D and E _____

G. Enter the child's adjusted gross income (line 33 of the child's Form 1040) _____

H. Divide line A by line G (but do not enter more than 1) _____

I. Multiply line F by line H _____

J. Subtract line I from line C. Enter the result here (but do not enter more than the amount on line 5 of Form 8615). This is the net capital gain included on line 5. _____

* If you enter more than \$126,600 on line G, see *Deduction for Exemptions Worksheet—Line 38* in the Form 1040 instructions for the amount to enter on line D.

Net capital gain on line 6. If the parent has a net capital gain, its full amount is included on line 6.

Net capital gain on line 7. The amount of 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. Find the amount for each other child as explained earlier under *Net capital gain on line 5*. (Do not attach the other children's Forms 8615 to the child's return.)

Net capital gain on line 8. The net capital gain included on line 8 is the sum of the net capital gains included on lines 5, 6, and 7. Do not take into account any net capital loss that is included on line 5, 6, or 7.

Line 9 (tax on parent's taxable income plus children's net investment income). Figure the tax on the amount on line 8 using the Tax Table, the Tax Rate Schedules, the Capital Gain Tax Worksheet, Schedule D (Form 1040), or Schedule J (Form 1040), as follows.

- If line 8 **does not** include any net capital gain, use the Tax Table or Tax Rate Schedules to figure this tax. But if Schedule J is used to figure the tax on the parent's return, use it to figure this tax.
- If line 8 **does** include any net capital gain, use the Capital Gain Tax Worksheet to figure this tax unless the child, parent, or any other child has unrecaptured section 1250 gain, 28% rate gain, or an amount on Form 4952, line 4e. In that case, use Schedule D. But if Schedule J is used to figure the tax on the parent's return, use it to figure this tax.

Using the Capital Gain Tax Worksheet for line 9 tax. If you use the Capital Gain Tax Worksheet to figure the line 9 tax on Form 8615, complete that worksheet as follows.

- 1) On line 1, enter the amount from line 8 of Form 8615.
- 2) On line 2, enter the amount of the net capital gain included on line 8 of Form 8615.
- 3) Complete lines 3 through 15 following the worksheet instructions. (Use the parent's filing status to complete lines 4, 5, and 14.)

Enter the amount from line 15 of the Capital Gain Tax Worksheet on line 9 of Form 8615 and check the box on that line. Do not attach this worksheet to the child's return.

Using Schedule D for line 9 tax. You generally **must** use Schedule D to figure the line 9 tax on Form 8615 if the child, parent, or any other child has unrecaptured section 1250 gain, 28% rate gain, or an amount on Form 4952, line 4e. If you must use Schedule D, first complete an actual Schedule D through line 25 for the parent and all the parent's children for whom Form 8615 is filed, but only those showing a net capital gain. Then figure the tax using Part IV of an otherwise blank Schedule D as a worksheet.

Complete this worksheet as follows.

- 1) On line 19, enter the amount from line 8 of Form 8615.
- 2) On line 20, enter the net capital gain included on line 8 of Form 8615.
- 3) On line 21, enter the total of the amounts from line 21 of each actual Schedule D.
- 4) On line 22, subtract line 21 from line 20.
- 5) Leave line 23 blank.
- 6) On line 24, enter the total of the following amounts.
 - a) The result of multiplying the amount from line 24 of the child's actual Schedule D, if any, by a fraction. The numerator (top) of the fraction is the net capital gain included on line 5 of the child's Form 8615 (from the last line of the appropriate *Line 5 Worksheet*, earlier). The denominator (bottom) of the fraction is the child's net capital gain (from line A of the *Line 5 Worksheet*).

- b) The total of the results of multiplying the amount from line 24 of each other child's actual Schedule D, if any, by a fraction figured the same way as in (a), above, using amounts from the other child's *Line 5 Worksheet*.
 - c) The amount from line 24 of the parent's actual Schedule D, if any.
- 7) On line 25, enter the total of the following amounts.
 - a) The result of multiplying the amount from line 25 of the child's actual Schedule D, if any, by the fraction used in (6)(a), above.
 - b) The total of the results of multiplying the amount from line 25 of each other child's actual Schedule D, if any, by the fraction used for the other child in (6)(b), above.
 - c) The amount from line 25 of the parent's actual Schedule D, if any.
 - 8) Complete lines 26 through 54 following the Schedule D instructions. (Use the parent's filing status to complete lines 29, 33, and 53.)

Enter the amount from line 54 of the worksheet on line 9 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 9 tax. If Schedule J is used to figure the tax on the parent's return, use **another** Schedule J as a worksheet to figure the tax to enter on line 9 of Form 8615. For purposes of this worksheet, use information from the parent's Schedule J.

Complete this worksheet as follows.

- 1) On line 1, enter the amount from line 8 of Form 8615.
- 2) On line 2, enter the amount from the parent's Schedule J, line 2.
- 3) Complete line 3.
- 4) Complete line 4. If there is net capital gain in line 3, see the directions under *Using Schedule D for line 9 tax*.
- 5) On lines 5–16, enter the amounts from the parent's Schedule J, lines 5–16.
- 6) Complete line 17.
- 7) On lines 18–21, enter the amounts from the parent's Schedule J, lines 18–21.
- 8) Complete line 22 of Schedule J (worksheet).

Enter the amount from line 22 of the worksheet on line 9 of Form 8615. Do not attach the Schedule J worksheet to the child's return.

Line 10 (parent's tax). Enter on line 10 the amount from the parent's Form 1040, line 40; Form 1040A, line 25; Form 1040EZ, line 10; TeleFile Tax Record, line K; Form 1040NR, line 39; or Form 1040NR–EZ, line 15.

Lines 12a and 12b (dividing the tentative tax). If line 7 is blank, skip lines 12a and 12b and enter the amount from line 11 on line 13.

If an amount is entered on line 7, divide the tentative tax shown on line 11 among the children according to each child's share of the total net investment income. This is done on lines 12a, 12b, and 13. Add the amount on

line 7 to the amount on line 5 and enter the total on line 12a. Divide the amount on line 5 by the amount on line 12a and enter the result, as a decimal, on line 12b.

Example. In the earlier example under *Line 7 (net investment income of other children)*, Sharon's Form 8615 shows \$1,600 on line 7. The amount entered on line 12a is \$2,400, the total of the amounts on lines 5 and 7 (\$800 + \$1,600). The decimal on line 12b is .333, figured as follows and rounded to three places.

$$\frac{\$800}{\$2,400} = .333$$

Line 13 (child's share of tentative tax). If an amount is entered on line 7, multiply line 11 by the decimal on line 12b and enter the result on line 13. If line 7 is blank, enter the amount from line 11 on line 13.

Line 13 is the child's share of the tentative tax.

Part III. Figuring the Child's Tax

The final step in figuring a child's tax using Form 8615 is to determine the **larger** of:

- 1) The total of:
 - a) The child's share of the tentative tax based on the parent's tax rate, plus
 - b) The tax on the child's taxable income in excess of net investment income, figured at the child's tax rate, or
- 2) The tax on the child's taxable income, figured at the child's tax rate.

This is the child's tax. It is figured on lines 14 through 18 of Form 8615.

Line 14 (child's taxable income in excess of net investment income). Subtract line 5 from line 4 and enter the difference on line 14. If lines 4 and 5 are the same, enter zero on lines 14 and 15 and enter the amount from line 13 on line 16.

The method you will use on line 15 to figure the tax on the amount on line 14 depends on whether line 14 includes any net capital gain.

Net capital gain on line 14. To figure the tax on line 15, you will need to know the amount of net capital gain included on line 14. To find that amount, subtract the net capital gain included on line 5 (the last line of the appropriate *Line 5 Worksheet*, earlier) from the child's net capital gain (line A of the *Line 5 Worksheet*). The result is the amount of net capital gain included on line 14.

Line 15 (tax on child's taxable income in excess of net investment income). Figure the tax on the amount on line 14 using the Tax Table, the Tax Rate Schedules, the Capital Gain Tax Worksheet, or Schedule D (Form 1040) as follows.

- If line 14 **does not** include any net capital gain, use the Tax Table or Tax Rate Schedules to figure this tax.
- If line 14 **does** include any net capital gain, use the Capital Gain Tax Worksheet to figure this tax unless the child has unrecaptured section 1250 gain, 28%

rate gain, or an amount on Form 4952, line 4e. In that case, use Schedule D.

Using the Capital Gain Tax Worksheet for line 15 tax. If you use the Capital Gain Tax Worksheet to figure the line 15 tax on Form 8615, complete that worksheet as follows.

- 1) On line 1, enter the amount from line 14 of Form 8615.
- 2) On line 2, enter the amount of the net capital gain included on line 14 of Form 8615.
- 3) Complete lines 3 through 15 following the worksheet instructions. (Use the child's filing status to complete lines 4, 5, and 14.)

Enter the amount from line 15 of the worksheet 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 D for line 15 tax. You generally *must* use Schedule D to figure the line 15 tax on Form 8615 if the child has unrecaptured section 1250 gain, 28% rate gain, or an amount on Form 4952, line 4e. If you must use Schedule D, first complete the child's actual Schedule D through line 25. Then figure the tax using Part IV of an otherwise blank Schedule D as a worksheet. Complete this worksheet as follows.

- 1) On line 19, enter the amount from line 14 of Form 8615.
- 2) Leave line 20 blank.
- 3) Leave line 21 blank.
- 4) On line 22, enter the net capital gain included on line 14 of Form 8615.
- 5) Leave line 23 blank.
- 6) Subtract the amount figured in step (6)(a) under *Using Schedule D for line 9 tax* from the amount on line 24 of the child's actual Schedule D. Enter the result on line 24 of the worksheet.
- 7) Subtract the amount figured in step (7)(a) under *Using Schedule D for line 9 tax* from the amount on line 25 of the child's actual Schedule D. Enter the result on line 25 of the worksheet.
- 8) Complete lines 26 through 54 following the Schedule D instructions. (Use the child's filing status to complete lines 29, 33, and 53.)

Enter the amount from line 54 of the worksheet on line 15 of Form 8615 and check the box on that line. Do not attach this worksheet to the child's return.

Line 16. Add lines 13 and 15 and enter the total on line 16. If lines 4 and 5 are the same, enter zero on line 15. Then enter the amount from line 13 on line 16.

Line 17 (tax at child's rate). Figure the tax on the child's taxable income entered on line 4. Use the Tax Table for single status, Tax Rate Schedule X, the Capital Gain Tax Worksheet, the child's actual Schedule D, or Schedule J, whichever applies. Enter the tax amount on line 17. If it is from the Capital Gain Tax Worksheet, Schedule D, or Schedule J, check the box.

Line 18 (tax). Enter on line 18 the larger of line 16 or line 17. Also enter this amount on the child's Form 1040, line 40; Form 1040A, line 25; or Form 1040NR, line 39. This is the child's tax.

Alternative Minimum Tax

A child may be subject to alternative minimum tax (AMT) if he or she has certain items given preferential treatment under the tax law. These items include accelerated depreciation and certain tax-exempt interest income. The AMT may apply if the child has passive activity losses or certain distributions from estates or trusts.

For more information on who is liable for AMT and how to figure it, get **Form 6251**.

Limit on exemption amount. Ordinarily, single people can subtract a \$33,750 exemption amount from their AMT taxable income. However, a child who files Form 8615 has a limited exemption amount. The child's exemption amount for 1999 is limited to the child's earned income plus \$5,100. Figure the child's allowable exemption amount on the worksheet in the instructions for line 22 of Form 6251.

Illustrated Example

This example shows how to fill out Forms 8615 and 1040A for Sara Brown.

John and Laura Brown have one child, Sara. She is 13 and has \$2,750 taxable interest and dividend income and \$1,500 earned income. She does not itemize deductions. John and Laura file a joint return

with John's name and social security number listed first. They claim three exemptions, including an exemption for Sara, on their return.

Because she is under age 14 and has more than \$1,400 investment income, part of her income may be subject to tax at her parents' rate. A completed Form 8615 must be attached to her return.

Sara's father, John, fills out Sara's return.

John enters his name and social security number on Sara's Form 8615 because his name and number are listed first on the joint return he and Laura are filing. He checks the box for married filing jointly.

He enters Sara's investment income, \$2,750, on line 1. Sara does not itemize deductions, so John enters \$1,400 on line 2. He enters \$1,350 (\$2,750 – \$1,400) on line 3.

Sara's taxable income, as shown on line 24 of her Form 1040A, is \$2,500. This is her total income (\$4,250) minus her standard deduction (\$1,750). Her standard deduction is limited to the amount of her earned income plus \$250. John enters \$2,500 on line 4.

John compares lines 3 and 4 and enters the smaller amount, \$1,350, on line 5.

John enters \$48,000 on line 6. This is the taxable income from line 39 of their joint Form 1040 return. Sara is an only child, so line 7 is blank. He adds line 5 (\$1,350), line 6 (\$48,000), and line 7 and enters \$49,350 on line 8.

Using the column for married filing jointly in the Tax Table, John finds the tax on \$49,350. He enters the tax, \$8,229, on line 9. He enters \$7,851 on line 10. This is the tax from line 40 of John and Laura's Form 1040. He enters \$378 on line 11 (\$8,229 – \$7,851).

Because line 7 is blank, John skips lines 12a and 12b and enters \$378 on line 13.

John subtracts line 5 (\$1,350) from line 4 (\$2,500) and enters the result, \$1,150, on line 14. Using the column for single filing status in the Tax Table, John finds the tax on \$1,150. He enters this tax, \$174, on line 15. He adds lines 13 (\$378) and 15 (\$174) and enters \$552 on line 16.

Using the column for single filing status in the Tax Table, John finds the tax on \$2,500 (line 4). He enters this tax, \$377, on line 17.

John compares lines 16 and 17 and enters the larger amount, \$552, on line 18 of Sara's Form 8615. He also enters that amount on line 25 of Sara's Form 1040A.

John also completes Schedule 1, Form 1040A (not shown) for Sara.

Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,400

▶ Attach **ONLY** to the child's Form 1040, Form 1040A, or Form 1040NR.

Child's name shown on return Child's social security number
111 : 00 : 1111

A Parent's name (first, initial, and last). **Caution:** See instructions on back before completing.
B Parent's social security number
000 : 00 : 0001

C Parent's filing status (check one):
 Single Married filing jointly Married filing separately Head of household Qualifying widow(er)

Part I Child's Net Investment Income

1 Enter the child's investment income, such as taxable interest and dividends. See instructions. If this amount is \$1,400 or less, stop ; do not file this form	1	2,750	
2 If the child did not itemize deductions on Schedule A (Form 1040 or Form 1040NR), enter \$1,400. If the child did itemize deductions, see instructions	2	1,400	
3 Subtract line 2 from line 1. If the result is zero or less, stop ; do not complete the rest of this form but do attach it to the child's return	3	1,350	
4 Enter the child's taxable income from Form 1040, line 39; Form 1040A, line 24; or Form 1040NR, line 38	4	2,500	
5 Enter the smaller of line 3 or line 4	5	1,350	

Part II Tentative Tax Based on the Tax Rate of the Parent Listed on Line A

6 Enter the parent's taxable income from Form 1040, line 39; Form 1040A, line 24; Form 1040EZ, line 6; TeleFile Tax Record, line K; Form 1040NR, line 38; or Form 1040NR-EZ, line 14. If less than zero, enter -0-	6	48,000	
7 Enter the total net investment income, if any, from Forms 8615, line 5, of all other children of the parent identified above. Do not include the amount from line 5 above	7		
8 Add lines 5, 6, and 7	8	49,350	
9 Enter the tax on line 8 based on the parent's filing status. See instructions. If the Capital Gain Tax Worksheet or Schedule D or J (Form 1040) is used to figure the tax, check here ▶ <input type="checkbox"/>	9	8,229	
10 Enter the parent's tax from Form 1040, line 40; Form 1040A, line 25; Form 1040EZ, line 10; TeleFile Tax Record, line K; Form 1040NR, line 39; or Form 1040NR-EZ, line 15. If any tax is from Form 4972 or 8814 , see instructions. If the Capital Gain Tax Worksheet or Schedule D or J (Form 1040) was used to figure the tax, check here ▶ <input type="checkbox"/>	10	7,851	
11 Subtract line 10 from line 9 and enter the result. If line 7 is blank, also enter this amount on line 13 and go to Part III	11	378	
12a Add lines 5 and 7 12a			
b Divide line 5 by line 12a. Enter the result as a decimal (rounded to at least three places)	12b	×	
13 Multiply line 11 by line 12b	13	378	

Part III Child's Tax—If lines 4 and 5 above are the same, enter -0- on line 15 and go to line 16.

14 Subtract line 5 from line 4 14		1,150	
15 Enter the tax on line 14 based on the child's filing status. See instructions. If the Capital Gain Tax Worksheet or Schedule D or J (Form 1040) is used to figure the tax, check here ▶ <input type="checkbox"/>	15	174	
16 Add lines 13 and 15	16	552	
17 Enter the tax on line 4 based on the child's filing status. See instructions. If the Capital Gain Tax Worksheet or Schedule D or J (Form 1040) is used to figure the tax, check here ▶ <input type="checkbox"/>	17	377	
18 Enter the larger of line 16 or line 17 here and on Form 1040, line 40; Form 1040A, line 25; or Form 1040NR, line 39	18	552	

General Instructions

Purpose of Form

For children under age 14, investment income over \$1,400 is taxed at the parent's rate if the parent's rate is higher than the child's rate. If the child's investment income is more than \$1,400, use this form to figure the child's tax.



See **Pub. 929**, Tax Rules for Children and Dependents, if the child, the parent, or any of the parent's other children under age 14 received capital gain distributions or farm income. It has information on how

to figure the tax using the **Capital Gain Tax Worksheet** or **Schedule D** or **J**, which may result in less tax.

Investment Income

For this form, "investment income" includes all taxable income other than earned income as defined on page 2. It includes taxable interest, dividends, capital gains, 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

Generally, Form 8615 must be filed for any child who was under age 14 on January 1, 2000, had more than \$1,400 of investment income, and is required to file a tax return. But if neither parent was alive on December 31, 1999, do not use Form 8615. Instead, figure the child's tax in the normal manner.

Note: The parent may be able to elect to report the child's interest and dividends (including 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

Label
(See page 19.)

Use the IRS label.
Otherwise, please print or type.

L A B E L H E R E	Your first name and initial Sara L	Last name Brown	Your social security number 111 000 1111
	If a joint return, spouse's first name and initial	Last name	Spouse's social security number
	Home address (number and street). If you have a P.O. box, see page 20. 1040A MAIN STREET		Apt. no.
	City, town or post office, state, and ZIP code. If you have a foreign address, see page 20. HOMETOWN AZ 85240		

▲ IMPORTANT! ▲
You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.)
Do you want \$3 to go to this fund? Yes No
If a joint return, does your spouse want \$3 to go to this fund? Yes No

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status

Check only one box.

- 1 Single
- 2 Married filing joint return (even if only one had income)
- 3 Married filing separate return. Enter spouse's social security number above and full name here. ▶ _____
- 4 Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ _____
- 5 Qualifying widow(er) with dependent child (year spouse died ▶ 19 ____). (See page 22.)

Exemptions

If more than seven dependents, see page 22.

6a Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a. } No. of boxes checked on 6a and 6b _____

b Spouse

c Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 23)	No. of your children on 6c who:
				<input type="checkbox"/>	• lived with you _____
				<input type="checkbox"/>	• did not live with you due to divorce or separation (see page 24) _____
				<input type="checkbox"/>	Dependents on 6c not entered above _____
				<input type="checkbox"/>	
				<input type="checkbox"/>	
				<input type="checkbox"/>	

d Total number of exemptions claimed. Add numbers entered on lines above **0**

Income

Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 25.

Enclose, but do not staple, any payment.

7	Wages, salaries, tips, etc. Attach Form(s) W-2.	7	1,500
8a	Taxable interest. Attach Schedule 1 if required.	8a	1,400
b	Tax-exempt interest. DO NOT include on line 8a.	8b	
9	Ordinary dividends. Attach Schedule 1 if required.	9	1,350
10a	Total IRA distributions. 10a	10b	Taxable amount (see page 25). 10b
11a	Total pensions and annuities. 11a	11b	Taxable amount (see page 26). 11b
12	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends.	12	
13a	Social security benefits. 13a	13b	Taxable amount (see page 28). 13b
14	Add lines 7 through 13b (far right column). This is your total income .	14	4,250
15	IRA deduction (see page 30).	15	
16	Student loan interest deduction (see page 30).	16	
17	Add lines 15 and 16. These are your total adjustments .	17	
18	Subtract line 17 from line 14. This is your adjusted gross income .	18	4,250

Taxable income	19	Enter the amount from line 18.	19	4,250	
	20a	Check <input type="checkbox"/> You were 65 or older <input type="checkbox"/> Blind } Enter number of boxes checked <input type="checkbox"/> if: <input type="checkbox"/> Spouse was 65 or older <input type="checkbox"/> Blind } 20a			
	b	If you are married filing separately and your spouse itemizes deductions, see page 32 and check here 20b			<input type="checkbox"/>
	21	Enter the standard deduction for your filing status. But see page 33 if you checked any box on line 20a or 20b OR if someone can claim you as a dependent. • Single—\$4,300 • Married filing jointly or Qualifying widow(er)—\$7,200 • Head of household—\$6,350 • Married filing separately—\$3,600	21	1,750	
	22	Subtract line 21 from line 19. If line 21 is more than line 19, enter -0-.	22	2,500	

Tax, credits, and payments	23	Multiply \$2,750 by the total number of exemptions claimed on line 6d.	23		
	24	Subtract line 23 from line 22. If line 23 is more than line 22, enter -0-. This is your taxable income .	24	2,500	
	25	Find the tax on the amount on line 24 (see page 34).	25	552	
	26	Credit for child and dependent care expenses. Attach Schedule 2.	26		
	27	Credit for the elderly or the disabled. Attach Schedule 3.	27		
	28	Child tax credit (see page 35).	28		
	29	Education credits. Attach Form 8863.	29		
	30	Adoption credit. Attach Form 8839.	30		
	31	Add lines 26 through 30. These are your total credits .	31		
	32	Subtract line 31 from line 25. If line 31 is more than line 25, enter -0-.	32	552	

Refund	33	Advance earned income credit payments from Form(s) W-2.	33		
	34	Add lines 32 and 33. This is your total tax .	34	552	
	35	Total Federal income tax withheld from Forms W-2 and 1099.	35	135	
	36	1999 estimated tax payments and amount applied from 1998 return.	36	300	
	37a	Earned income credit. Attach Schedule EIC if you have a qualifying child.	37a		

Amount you owe	b	Nontaxable earned income: amount <input type="text"/> and type <input type="text"/>			
	38	Additional child tax credit. Attach Form 8812.	38		
	39	Add lines 35, 36, 37a, and 38. These are your total payments .	39	435	

Sign here	40	If line 39 is more than line 34, subtract line 34 from line 39. This is the amount you overpaid .	40		
	41a	Amount of line 40 you want refunded to you .	41a		
	b	Routing number <input type="text"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			

Amount you owe	d	Account number <input type="text"/>			
	42	Amount of line 40 you want applied to your 2000 estimated tax .	42		
	43	If line 34 is more than line 39, subtract line 39 from line 34. This is the amount you owe . For details on how to pay, see page 48.	43	117	

Paid preparer's use only	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.			
	Your signature Sara L. Brown	Date 2-15-00	Your occupation Student	Daytime telephone number (optional) ()
	Spouse's signature. If joint return, BOTH must sign.	Date	Spouse's occupation	
	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed) and address			EIN : ZIP code

Glossary

Adjusted gross income. Gross income (defined later) minus adjustments to income (defined next).

Adjustments to income. Deductions that are subtracted from gross income in figuring adjusted gross income. They include deductions for moving expenses, alimony paid, a penalty on early withdrawal of savings, and contributions to an individual retirement arrangement (IRA). Adjustments to income can be taken even if itemized deductions (defined later) are not claimed.

Alternative minimum tax. A tax designed to collect at least a minimum amount of tax from taxpayers who benefit from the tax laws that give special treatment to certain kinds of income and allow deductions and credits for certain kinds of expenses.

Capital gain distribution. An allocated amount paid to, or treated as paid to, a shareholder by a mutual fund, regulated investment company, or real estate investment trust from its net realized long-term capital gains. This amount is in addition to any ordinary dividend paid to the shareholder. You will receive a statement from the payer if this applies to you.

Dependent. A person, other than the taxpayer or the taxpayer's spouse, for whom an exemption (defined later) can be claimed. You can generally claim an exemption for a dependent if the dependent:

- 1) Lives with or is related to you,
- 2) Is a U.S. citizen, a U.S. resident, or a resident of Canada or Mexico,
- 3) Does not file a joint return,
- 4) Does not have \$2,750 or more of gross (total) income (does not apply to your child if under 19 or a student under 24), and
- 5) Is supported (generally more than 50%) by you.

For more information, see *Exemptions for Dependents* in Publication 501.

Earned income. Salaries, wages, tips, professional fees, and other amounts received as pay for work actually done.

For purposes of determining a dependent's standard deduction, earned income also includes any part of a scholarship or fellowship grant that the dependent must include in his or her gross income.

Exemption. An amount (\$2,750 for 1999) that can be subtracted from income in figuring how much income will be taxed. Exemptions generally are allowed for the taxpayer, the taxpayer's spouse, and qualifying dependents.

Filing status. The category (single, married filing joint return, married filing separate return, head of household, or qualifying widow(er) with dependent child) you fit into that determines such things as your filing requirement, your standard deduction, and your

correct tax. These are the same categories listed on Forms 1040 and 1040A and shown in the headings of the Tax Table columns and the Tax Rate Schedules.

For more information, see *Filing Status* in Publication 501.

Gross income. All income from all sources (other than tax-exempt income) that must be included on your tax return.

Investment income. See *Unearned income*.

Itemized deductions. Deductions allowed on Schedule A (Form 1040) for medical and dental expenses, taxes, interest, charitable contributions, casualty and theft losses, and miscellaneous deductions. They are subtracted from adjusted gross income in figuring taxable income. Itemized deductions cannot be claimed if the standard deduction is chosen.

Net capital gain. The excess of net long-term capital gain over any net short-term capital loss. For 1999, this is the smaller of the gain on line 16 or the gain on line 17 of Schedule D (Form 1040), *Capital Gains and Losses*.

Net investment income. The total of all investment income (other than tax-exempt income) reduced by the sum of the following: adjustments to income related to the investment income, plus the larger of:

- 1) \$700 plus itemized deductions directly connected with producing the investment income, or
- 2) \$1,400.

Standard deduction. An amount (based on filing status, age, and blindness) that can be subtracted from adjusted gross income in figuring taxable income. The standard deduction of a dependent is subject to a limit based on earned income. The standard deduction is not used if itemized deductions are claimed.

Tax year. The time period covered by a tax return. Usually this is January 1 to December 31, a calendar year, but taxpayers can elect a fiscal tax year with different beginning and ending dates.


Taxable income. Gross income minus any adjustments to income, any allowable exemptions, and either itemized deductions or the standard deduction.

Unearned income. Income other than earned income. This is investment-type income and includes interest, dividends, and capital gains. Distributions of interest, dividends, capital gains, and other unearned income from a trust are also unearned income to a beneficiary of the trust.

How To Get More Information


You can order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.


Free tax services. To find out what services are available, get Publication 910, *Guide to Free Tax Services*. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

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- *Forms & Pubs* to download forms and publications or search for forms and publications by topic or keyword.
- *Fill-in Forms* (located under *Forms & Pubs*) to enter information while the form is displayed and then print the completed form.
- *Tax Info For You* to view Internal Revenue Bulletins published in the last few years.
- *Tax Regs in English* to search regulations and the Internal Revenue Code (under *United States Code (USC)*).
- *Digital Dispatch* and *IRS Local News Net* (both located under *Tax Info For Business*) to receive our electronic newsletters on hot tax issues and news.
- *Small Business Corner* (located under *Tax Info For Business*) to get information on starting and operating a small business.

You can also reach us with your computer using File Transfer Protocol at ftp.irs.gov.

 **TaxFax Service.** Using the phone attached to your fax machine, you can receive forms and instructions by calling **703-368-9694**. Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.

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- *Ordering forms, instructions, and publications.* Call **1-800-829-3676** to order current and prior year forms, instructions, and publications.
- *Asking tax questions.* Call the IRS with your tax questions at **1-800-829-1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1-800-829-4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1-800-829-4477** to listen to pre-recorded messages covering various tax topics.

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- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
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- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.



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tive Bulletins available for research purposes.



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- Current tax forms, instructions, and publications.
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- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) by calling **1-877-233-6767** or on the Internet at **www.irs.gov/cdorders**. The first release is available in mid-December and the final release is available in late January.

IRS Publication 3207, *Small Business Resource Guide*, is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get one free copy by calling **1-800-829-3676**.

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