



NYS Training for Tax Preparers

Dependent Exemptions

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Dependent Exemptions

Dependent Exemptions

Identifying and entering the correct number of dependent exemptions is a critical component of completing the taxpayer's return. At the end of this lesson you will be able to:

- determine if a taxpayer can claim an exemption for a dependent by applying the applicable dependency test
- determine how many exemptions a taxpayer can claim for dependents
- for more information see [IRS Publication 501](#)



Dependent Exemptions

Dependent Exemptions Overview

- A dependent is either a qualifying child or a qualifying relative of the taxpayer.
- Both types of dependents have unique rules, but some requirements are the same for both.
- The taxpayer's spouse cannot be claimed as a dependent, but can be claimed as a personal exemption.
- A taxpayer can claim one exemption for each qualified dependent, thereby reducing the taxable income.
- If a taxpayer can claim another person as a dependent – even if the taxpayer does not actually do so – the dependent cannot take a personal or dependency exemption on their tax return.
- The 2014 dependent exemption amount that can be claimed on a federal income tax return is the same amount as the personal exemption amount of \$3950.



Dependent Exemptions

Dependency Initial Test

To determine if an individual can be claimed as a dependent, begin with the rules that apply to both qualifying child and qualifying relative.

- **Dependent taxpayer test** - A taxpayer (or taxpayer's spouse, if filing a joint return) who can be claimed as a dependent by someone else cannot claim anyone as a dependent on his or her own tax return.
- **Joint return test** - A married person who files a joint return cannot be claimed as a dependent unless that joint return is only a claim for a refund and there would be no tax liability for either spouse on separate returns.
- **Citizen or resident test** - To be claimed as a dependent, a person must be a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico.

NOTE: If a U.S. citizen or U.S. national legally adopts a child who is not a U.S. citizen or resident, this test is met as long as the child lives with the taxpayer as a member of the household all year.



Dependent Exemptions

Knowledge Check

Jennifer, an eighteen-year-old single mother who can be claimed as a dependent by her parents, can claim her infant son as a dependent on her own tax return.

- True
- False



Dependent Exemptions

Knowledge Check

Jennifer, an eighteen-year-old single mother who can be claimed as a dependent by her parents, can claim her infant son as a dependent on her own tax return.

-  True
 False

Brenda, a US citizen, adopted Lillian from Columbia. Lillian is not a U.S. citizen and lived with Brenda for the entire tax year. Lillian meets the citizen or resident test.

- True
 False



Dependent Exemptions

Knowledge Check

Jennifer, an eighteen-year-old single mother who can be claimed as a dependent by her parents, can claim her infant son as a dependent on her own tax return.

-  True
 False

Brenda, a US citizen, adopted Lillian from Columbia. Lillian is not a U.S. citizen and lived with Brenda for the entire tax year. Lillian meets the citizen or resident test.

-  True
 False

A resident of Mexico meets the requirements of the citizen or resident test to be claimed as a dependent.

- True
 False



Dependent Exemptions

Knowledge Check



Jennifer, an eighteen-year-old single mother who can be claimed as a dependent by her parents, can claim her infant son as a dependent on her own tax return.

-  True
 False

Brenda, a US citizen, adopted Lillian from Columbia. Lillian is not a U.S. citizen and lived with Brenda for the entire tax year. Lillian meets the citizen or resident test.

-  True
 False

A resident of Mexico meets the requirements of the citizen or resident test to be claimed as a dependent.

-  True
 False

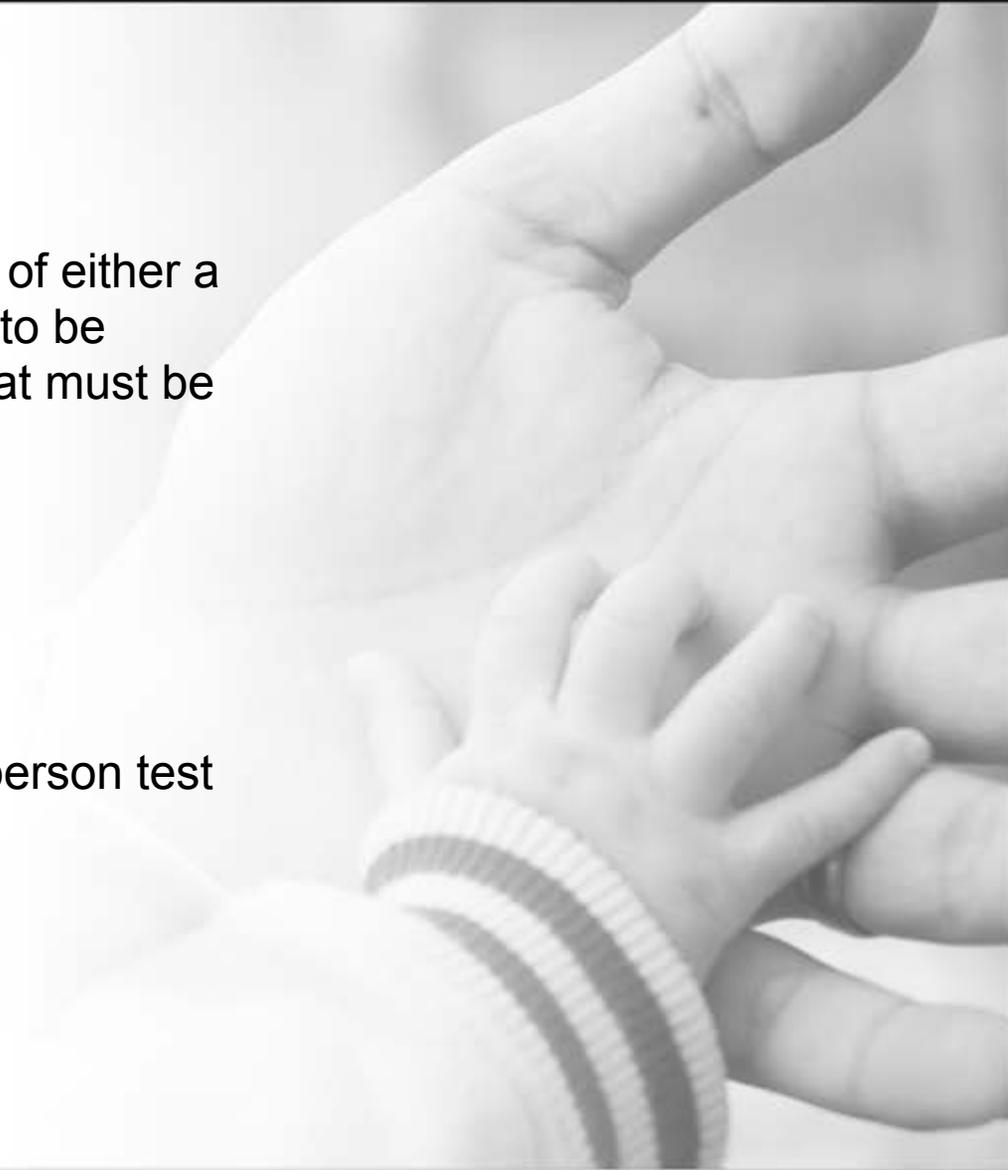


Dependent Exemptions

Qualifying Child

A person must meet the requirements of either a qualifying child or a qualifying relative to be claimed as a dependent. The tests that must be met for qualifying child are:

- Relationship test
- Age test
- Residency test
- Support test
- Qualifying child of more than one person test





Dependent Exemptions

Qualifying Child: Relationship Test

To be considered a dependent under this test, the child must be:

- the taxpayer's son, daughter, stepchild, foster child (placed by an authorized placement agency), or a descendant (for example, a grandchild) of any of them
- the taxpayer's brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant (for example, niece or nephew) of any of them

An adopted child is treated the same as a natural child. This includes a child who was lawfully placed with the taxpayer for legal adoption



Dependent Exemptions

Qualifying Child: Age Test

To be considered a dependent under this test, the child must be:

- under age 19 at the end of the tax year and younger than the taxpayer (or the taxpayer's spouse, if filing jointly), or
- a full-time student under the age of 24 at the end of the year and younger than the taxpayer (or spouse, if filing jointly), or
- any age if permanently and totally disabled at any time of the year.



Dependent Exemptions

Qualifying Child: Residency Test

To be considered a dependent under this test, the child must have lived with the taxpayer for more than half the year. The taxpayer's home is any location where they regularly live (it does not need to be a traditional home). For example, a child who lived with the taxpayer for more than half the year in one or more homeless shelters meets the residency test.

Taxpayers may claim an exemption for a child who was born or died, or was kidnapped during the tax year, as long as the other dependency tests are met.

A taxpayer may not claim a dependency exemption for a housekeeper, other household employee, or a stillborn child.



Dependent Exemptions

Qualifying Child: Residency Test

Exceptions to the Residency Test

The child is considered to have lived with the taxpayer during periods of time when either the child or the taxpayer is temporarily absent due to illness, education, business, vacation or military service.

A child who was born (or died) during the year is treated as having lived with the taxpayer all year if the child lived in the taxpayer's home for the entire time he or she was alive.



Dependent Exemptions

Qualifying Child: Support Test

To meet this test, the taxpayer must provide at least half of the child's support during the tax year.

This test is different from the support test for a qualifying relative. A person's own funds are not considered support unless they are actually spent for support.

State benefits provided to a person, such as public assistance, food stamps, or housing, are considered support provided by the state (not by the child). However, social security benefits received by a child and used toward support are considered to be provided by the child.



Dependent Exemptions

Qualifying Child: Qualifying Child of More Than One Person Test

To determine which taxpayer can treat the child as a qualifying child and claim the benefits, apply these rules:

- If only one of the taxpayers is the child's parent, the child is the qualifying child of that parent.
- If the parents do not file a joint return together but both parents claim the child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time during the tax year.
- If the child lived with both parents the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher Adjusted Gross Income (AGI) for the tax year.



Dependent Exemptions

Qualifying Child: Qualifying Child of More Than One Person Test

If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for the tax year.

If a parent can claim the child as a qualifying child but no parent does, the child is treated as the qualifying child of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of any of the child's parents who could claim the child. If the parents file a joint return together, this rule allows the parents to divide their combined AGI equally (between themselves).

Using these tie-breaker rules, taxpayers may be able to choose which one claims the child. If the qualifying child is actually claimed on more than one tax return in a given year, IRS will apply these tie-breaker rules to determine who will receive the benefits.



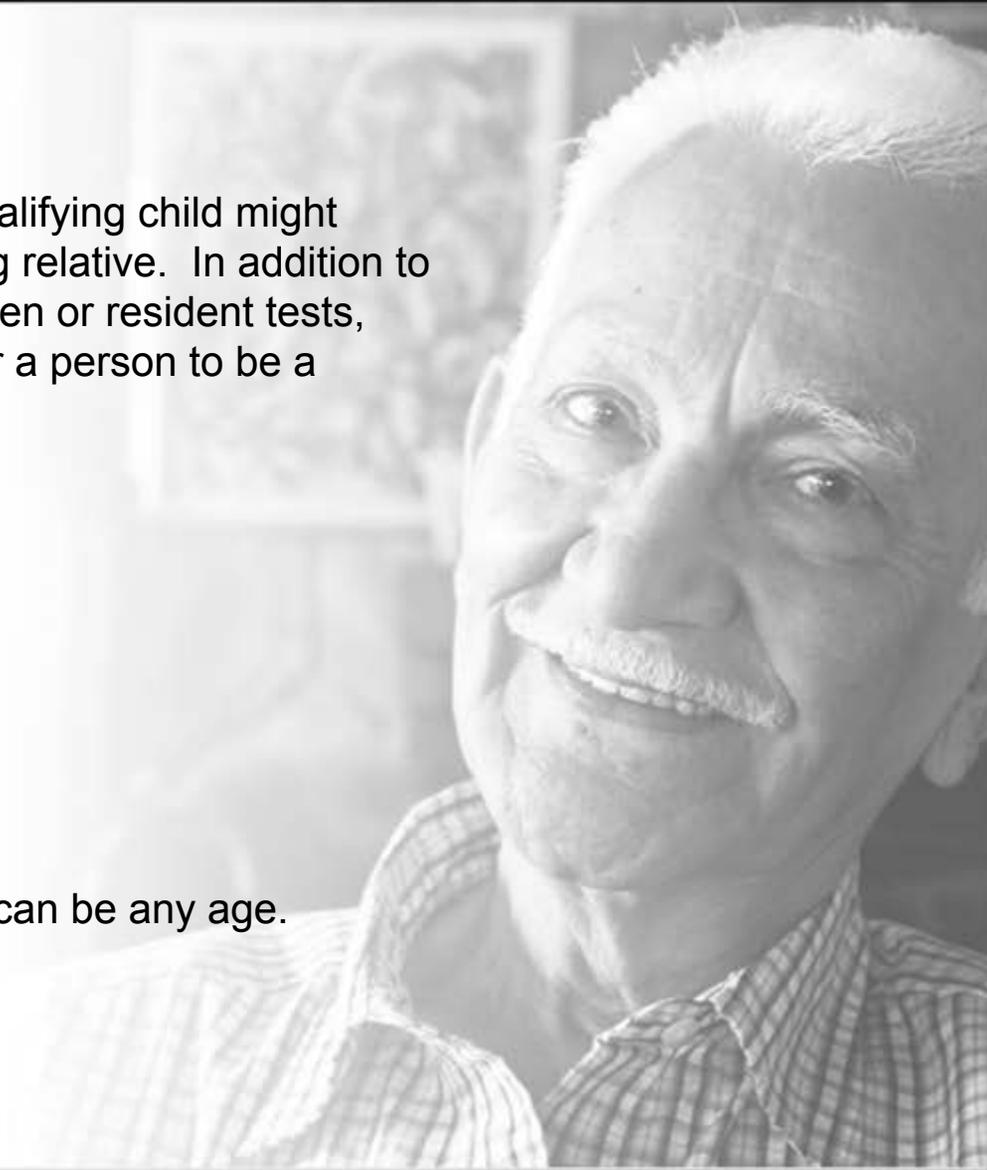
Dependent Exemptions

Qualifying Relative

Dependents who do not meet the tests for qualifying child might meet the slightly different tests for a qualifying relative. In addition to the dependent taxpayer, joint return, and citizen or resident tests, there are four more tests that must be met for a person to be a qualifying relative. These tests are:

- Not a qualifying child test
- Member of household or relationship test
- Gross income test
- Support test

Unlike a qualifying child, a qualifying relative can be any age.





Qualifying Relative: Not a Qualifying Child Test

A child is not considered the taxpayer's qualifying relative if the child is the taxpayer's qualifying child, or is the qualifying child of another taxpayer. However, there is an exception to this statement.

A child may qualify as the taxpayer's dependent under the tests for qualifying relative, even if the child is the qualifying child of another taxpayer. This is allowed only when the child's parent (or other person for whom the child is a qualifying child) is not required to file a U.S. income tax return and either:

- does not file a return, or
- files only to get a refund of income tax withheld or estimated tax paid.



Dependent Exemptions

Qualifying Relative: Member of Household or Relationship Test

To meet this test, the person must either live as a member of the taxpayer's household all year or be related to the taxpayer in one of the following ways:

- child, stepchild, foster child or a descendant of any of them
- brother, sister, half-brother, half-sister, stepbrother or stepsister
- father, mother, grandparent or other direct ancestor, but not foster parent
- stepfather or stepmother
- son or daughter of the taxpayer's brother or sister (nephew or niece)
- son or daughter of the taxpayer's half-brother or half-sister
- brother or sister of the taxpayer's father or mother (uncle or aunt)
- son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law

Any of these relationships that were established by marriage are not ended by death or divorce.



Dependent Exemptions

Qualifying Relative: Member of Household or Relationship Test

A person is still considered to live with the taxpayer as a member of the household during periods when that person, or the taxpayer, is temporarily absent due to special circumstances such as illness, education, business, vacation, military service, or placement in a nursing home.

Cousins can be considered qualifying relatives as long as they lived with the taxpayer all year.

NOTE: An unrelated person who lived with the taxpayer for the entire year can also meet the member of household or relationship test.



Dependent Exemptions

Qualifying Relative: Gross Income Test

To meet this test, the dependent's gross income for the tax year must be less than the personal exemption amount (\$3950). Gross income is all income in the form of money, property, and services that is not exempt from tax.

NOTE: This test applies only to qualifying relatives, not to qualifying children. For purposes of this test, the gross income of an individual who is permanently and totally disabled does not include income for services the person performs at a sheltered workshop.

A sheltered workshop is a school that provides instruction or training to a disabled person and is operated by a tax-exempt organization.



Dependent Exemptions

Qualifying Relative: Support Test

To meet this test, the taxpayer must have provided more than 50% of the person's total support for the tax year. When calculating the amount of total support, taxpayers should compare their contributions with the entire amount of support the person received from all sources (such as taxable income, tax-exempt income, and loans).

NOTE: This support test is different from the support test for a qualifying child.



Dependent Exemptions

Knowledge Check

John's son Mark is 22 years old and a full-time student out of state. Mark lived with John during summer break from 5/15 until he returned to school in 8/15. Mark was not employed while on summer break. Can John claim his son as a dependent?

- Yes
- No



Dependent Exemptions

Knowledge Check

John's son Mark is 22 years old and a full-time student out of state. Mark lived with John during summer break from 5/15 until he returned to school in 8/15. Mark was not employed while on summer break. Can John claim his son as a dependent?

-  Yes
- No

How much of a person's support must a taxpayer provide in order to claim that person as a dependent?

- at least 75%
- at least 51%
- 100%
- at least 33%



Dependent Exemptions

Knowledge Check



John's son Mark is 22 years old and a full-time student out of state. Mark lived with John during summer break from 5/15 until he returned to school in 8/15. Mark was not employed while on summer break. Can John claim his son as a dependent?

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How much of a person's support must a taxpayer provide in order to claim that person as a dependent?

-  at least 75%
- at least 51%
- 100%
- at least 33%



Dependent Exemptions

Knowledge Check

Todd has lived in his home all year with his girlfriend Eva and her two children. Eva is not required to file, and does not file, a tax return this year. Todd can claim them as dependents under the “not a qualifying child test” if they meet all the other tests.

- True
- False



Dependent Exemptions

Knowledge Check



Todd has lived in his home all year with his girlfriend Eva and her two children. Eva is not required to file, and does not file, a tax return this year. Todd can claim them as dependents under the “not a qualifying child test” if they meet all the other tests.

-  True
- False



Dependent Exemptions

New York State Dependent Exemptions

Taxpayers may claim the same amount of the dependent exemptions allowable on their federal return. However, unlike the federal government, New York State does not allow a personal exemption for taxpayers or their spouses. The value of a New York State dependent exemption is \$1000.



Dependent Exemptions

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