

Kiddie Tax

Form 8615



■ Kiddie Tax

- Form 8615 – *Tax for Certain Children Who Have Unearned Income* – now in Scope for AARP Tax-Aide sites for 2018 and forward*
- Form 8814 – *Parent’s Election To Report Child’s Interest and Dividends* – remains out of scope

* Some states have not revised their tax law and will continue out of scope as determined by State Coordinator

■ Kiddie Tax – Tax Rate

- Net **unearned** income over \$2,100 taxed at trust/estate rate on child's return

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



■ Kiddie Tax

- Form 8615 filed to determine tax on **child's unearned income** over \$2,100
 - **Child:** child under 18*
 - **Unearned income:** interest, dividends, capital gains, rents, royalties, taxable social security benefits, taxable scholarships and fellowship grants when not reported on a W-2
- Child may or may not be a dependent

*exceptions discussed next slide



■ Kiddie Tax Filing Requirements – must meet all

- Taxpayer (refers to child) has more than \$2,100 in unearned income
- Taxpayer required to file
- Taxpayer either:
 - Under age 18 December 31, 2018 -OR-
 - Age 18 with earned income not more than half their support* -OR-
 - Full-time student 19 to under 24 with earned income not more than half their support*
- Taxpayer has at least one living parent
- Taxpayer does not file a joint return

* It is not required that the earned income be used for their support – just that the student earns that amount or more

■ Taxpayer (Child) Required to File...

- Must file a return if **any** of the following apply
 1. Unearned income was over \$1,050
 2. Earned income was over \$12,000
 3. Gross income was more than the **larger** of —
 - a. \$1,050, or
 - b. Your earned income (up to \$11,650) plus \$350
- Taxable Scholarships are considered **earned** income to determine filing requirement, but **unearned** income when completing the return



■ Kiddie Tax Filing Requirements

- Taxable scholarship income alone may not generate filing requirement
- If no filing requirement, no Form 8615 required
- Example: \$10,000 taxable scholarship but no other income
 - Below \$12,000 earned income threshold so no filing requirement

■ Kiddie Tax Quiz 1

- Eddie is 20 years old and a full time student who earned \$9,000 part time
- He also has a taxable Pell grant of \$2,500
- Is Eddie subject to the kiddie tax?
- **No.** Eddie does not have a filing requirement
 - The Pell grant is **earned** income for the gross income filing threshold

■ Kiddie Tax Quiz 2

- Same as Quiz 1 but Eddie's taxable Pell grant is \$3,500
- Is Eddie subject to the kiddie tax?
- **Yes.** Eddie's gross income is more than \$12,000 so he has a filing requirement
 - The taxable Pell grant is **unearned** income for the kiddie tax and exceeds the \$2,100 kiddie tax threshold

■ Entering Taxable Scholarships in TaxSlayer

- Enter taxable scholarships and fellowship grants on **student's** return

Federal income > Other Income > Other Compensation

Other Income EDIT

Other Compensation

Scholarships and Grants EDIT

Kiddie Tax – Parent Information

Form 8615	Tax for Certain Children Who Have Unearned Income	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)	▶ Attach to your Form 1040 or Form 1040NR. ▶ Go to www.irs.gov/Form8615 for instructions and the latest information.	2018 Attachment Sequence No. 33
Name shown on return	Your social security number	
Before you begin: If you must use the Schedule D Tax Worksheet or have income from farming or fishing, see the instructions. Also see Pub. 929, Tax Rules for Children and Dependents . It explains how to figure your tax using the Schedule D Tax Worksheet or Schedule J (Form 1040) .		
A Parent's name (first, initial, and last). Caution: See instructions before completing.		B Parent's social security number
Part I Net Unearned Income		
1	Enter your unearned income (see instructions)	1
2	If you did not itemize deductions on Schedule A (Form 1040 or Form 1040NR), enter \$2,100. Otherwise, see instructions	2
3	Subtract line 2 from line 1. If zero or less, stop ; do not complete the rest of this form but do attach it to your return	3
4	Enter your taxable income from Form 1040, line 10, or Form 1040NR, line 41. If you file Form 2555 or 2555-EZ, see the instructions	4
5	Enter the smaller of line 3 or line 4. If zero, stop ; do not complete the rest of this form but do attach it to your return	5
Part II Tax		
6	Subtract line 5 from line 4	6
7	Enter the tax on the amount on line 4 (see instructions). If the Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J (Form 1040) is used to figure the tax, check here. If applicable, include this amount on your Form 1040, line 11, or Form 1040NR, line 42 (see instructions). If you file Form 2555 or 2555-EZ, see the instructions	7

Enter parent's name and SSN:

- Parents married to each other filing MFJ, enter name listed first on tax return
- Parents married to each other filing MFS, enter name of parent with higher taxable income
- Unmarried, treated as unmarried (HoH), or separated parents, enter name of custodial parent
- Unmarried parents living together, enter name of parent with higher taxable income

For Paperwork Reduction Act Notice, see your tax return instructions.



■ Kiddie Tax – TaxSlayer Entry

Form 8615 - Child's Investment Income Tax

Parent's Personal Information

Parent's First Name *

ROBERT

Parent's Last Name *

KIDDIETAX

Parent's SSN # *

123

- 00

- 4567

- Prepare return and enter taxpayer's (child's) income as usual, earned and unearned
- Enter Form 8615 in form selection box **-OR-** Federal Section > Other Taxes > 8615
- Enter Parent's name and SSN
- TaxSlayer calculates Kiddie Tax

■ Kiddie Tax Example – Only Unearned Income

- \$7,000 interest income reported on return – no other income
- Total tax including Form 8615 = \$924
- Total tax without Form 8615 = \$598

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Name shown on return <u>KIDDIE TAX</u>		Your social security number <u>555-00-1234</u>
Before you begin: If you must use the Schedule D Tax Worksheet or have income from farming or fishing, see the instructions. Also see Pub. 929, Tax Rules for Children and Dependents . It explains how to figure your tax using the Schedule D Tax Worksheet or Schedule J (Form 1040) .		
A Parent's name (first, initial, and last). Caution: See instructions before completing. <u>PARENT KIDDIE TAX</u>		B Parent's social security number <u>555-12-3456</u>
Part I Net Unearned Income		
1	Enter your unearned income (see instructions)	7000
2	If you did not itemize deductions on Schedule A (Form 1040 or Form 1040NR), enter \$2,100. Otherwise, see instructions	2100
3	Subtract line 2 from line 1. If zero or less, stop ; do not complete the rest of this form but do attach it to your return	4900
4	Enter your taxable income from Form 1040, line 10, or Form 1040NR, line 41. If you file Form 2555 or 2555-EZ, see the instructions	5950
5	Enter the smaller of line 3 or line 4. If zero, stop ; do not complete the rest of this form but do attach it to your return	4900
Part II Tax		
6	Subtract line 5 from line 4	1050
7	Enter the tax on the amount on line 4 (see instructions). If the Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J (Form 1040) is used to figure the tax, check here. If applicable, include this amount on your Form 1040, line 11, or Form 1040NR, line 42 (see instructions). If you file Form 2555 or 2555-EZ, see the instructions ▶ <input type="checkbox"/>	924

For Paperwork Reduction Act Notice, see your tax return instructions. Form **8615** (2018)

QNA

■ Kiddie Tax Example – Earned and Unearned Income

- \$7,000 interest income plus \$18,000 W-2 income reported on return
- Total tax including Form 8615 = \$1,652
- Total tax without Form 8615 = \$1,373

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Name shown on return KIDDIE TAX	Your social security number 555-00-1234		
Before you begin: If you must use the Schedule D Tax Worksheet or have income from farming or fishing, see the instructions. Also see Pub. 929, Tax Rules for Children and Dependents . It explains how to figure your tax using the Schedule D Tax Worksheet or Schedule J (Form 1040) .			
A Parent's name (first, initial, and last). Caution: See instructions before completing. PARENT KIDDIE TAX		B Parent's social security number 555-12-3456	
Part I Net Unearned Income			
1	Enter your unearned income (see instructions)	1	7000
2	If you did not itemize deductions on Schedule A (Form 1040 or Form 1040NR), enter \$2,100. Otherwise, see instructions	2	2100
3	Subtract line 2 from line 1. If zero or less, stop ; do not complete the rest of this form but do attach it to your return	3	4900
4	Enter your taxable income from Form 1040, line 10, or Form 1040NR, line 41. If you file Form 2555 or 2555-EZ, see the instructions	4	13000
5	Enter the smaller of line 3 or line 4. If zero, stop ; do not complete the rest of this form but do attach it to your return	5	4900
Part II Tax			
6	Subtract line 5 from line 4	6	8100
7	Enter the tax on the amount on line 4 (see instructions). If the Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J (Form 1040) is used to figure the tax, check here. If applicable, include this amount on your Form 1040, line 11, or Form 1040NR, line 42 (see instructions). If you file Form 2555 or 2555-EZ, see the instructions ▶ <input type="checkbox"/>	7	1652
For Paperwork Reduction Act Notice, see your tax return instructions. Form 8615 (2018)			

■ Kiddie Tax

