

## **The Definition of a "Dependent"**

The following is a brief review of the new definition of a dependent for most tax purposes as of 1/1/2005:

<b>The Tests:</b>	<b>To Be A Qualifying Child:</b>	<b>To Be A Qualifying Relative:</b>
<b>Relationships:</b>	Biological or adopted child, foster child brother, sister, stepbrother, stepsister or the child of one of these individuals, such as a niece, nephew, grandchild or great grandchild..	<ul style="list-style-type: none"> <li>• Anyone that would be a qualifying child except for the age limitations and is NOT a qualifying child for any other taxpayer in the same year, or;</li> <li>• Parents or ancestors, stepparents (but not ancestors of stepparents), aunts or uncles, in-laws, or;</li> <li>• An individual (other than the spouse) who, for the taxable year of the taxpayer, has the same principal place of abode as the taxpayer and is a member of the taxpayer's household. "An individual shall not be treated as a member of the taxpayer's household if at any time the relationship between such individual and the taxpayer is in violation of local law."</li> </ul>
<b>Residence:</b>	Must reside with you for more than one-half (½) of the year.	See "Relationships" above.
<b>Age:</b>	<ul style="list-style-type: none"> <li>• Age 18 or less as of the last day of the year (not age 19 as of the last day of the year), or;</li> <li>• A full-time student age 23 or less as of the last day of the year. To be a full-time student, the child must be attending school full-time for at least 5 months of the year, or;</li> <li>• The individual is permanently and totally disabled.</li> </ul>	Not applicable.
<b>Income Limit:</b>	Not applicable	<b>To be a qualifying relative, the income of the individual must be less than \$3,200 in 2005.</b> (Special rules apply for handicapped dependents.)
<b>Support:</b>	An individual does not qualify as a dependent if they provide more than one-half (1/2) of their own support for that calendar year. (Exception: Qualifying children receiving educational scholarships.)	
<b>Limitations:</b>	Except for adopted children "A dependent does not include any individual who is not a citizen or national of the United States unless such individual is a resident of the United States or a country contiguous to the United States." An individual who is a qualifying dependent of a taxpayer cannot claim anyone else as a dependent and a married individual who files a joint tax return with their spouse cannot be a dependent of any other taxpayer.	

### **"Tie-breaking Rule"**

If more than one taxpayer could claim a child as a "qualifying child":

- If one of those taxpayers is the parent, the parent would claim the child as a dependent, or;
- If neither are parents, the taxpayer with the highest adjusted gross income would claim the child, or;
- If both are taxpayers are the parents and the parents file separate tax returns, the parent with whom the child resided the longest during the year would claim the child.

### **Multiple Support Agreements:**

If no one person contributed over one-half of the support of a dependent, then written declarations allowing an individual to claim an otherwise qualifying dependent are required. To claim the dependent, the taxpayer must have contributed more than 10% of the support and only if each taxpayer that contributed over 10% towards the support of the dependent signs a written declaration allowing that person to claim the dependent.

### **PRE-TAX HEALTH INSURANCE and DOMESTIC PARTNERS**

The IRS will allow domestic partner health insurance on a pre-tax basis for any person who qualified as a dependent for income tax purposes in the past, without regard to the income limitation. To avoid taxation on those costs, the employee has to provide more than one-half of the domestic partner's support and the domestic partner must have the employee's principal residence as their primary home and be a member of the employee's household. In addition, to be considered a dependent for this purpose, the domestic partner must be a citizen, national or resident of the United States or a resident of a country contiguous to the United States. Finally, the relationship between the employee cannot violate local law.

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