

Who should claim the kids?

By Alft & Wilson Publishing – Iowa Support Master

This material is intended to help you understand how best to decide who claims the kids. Without the foundation, you will be up to your eyeballs in alligators trying to explain it.

THE RULES

If one or both parties have kids with others whom they claim on their returns, those children are not dependents in the calculation of support in your case. Only the children subject to your action are considered dependents. See Rule 9.6(5) of the Guidelines.

Unless you and your spouse file a joint tax return, a child can be claimed as a dependent by one parent. Not both. This requires that the child reside with the party claiming the child for more than half the tax year. This rule applies to children under the age of 19 unless they are still in school.

A non-custodial parent may claim a child as a dependent even if the child did not live with that parent for more than ½ of the year. The non-custodial parent can claim the child as a dependent if the custodial parent agrees not to on their own tax return.

The Rub... if, for example, the NCP claims the child per the terms of the decree but then the CP also claims the same child, the IRS will come knocking. The NCP would best be advised to obtain a signed IRS Form 8332 or similar written document from the custodial parent allowing the NCP to claim the child. If CP won't sign it, contrary to the terms of the decree, contempt is your remedy.

Parents who have joint custody may also use Form 8332 to alternate the tax years in which each can claim the dependent.

PERSONAL EXEMPTIONS

They no longer apply under the latest Trump tax bill. Congress did, however, double the standard deduction values. Filing as single was worth \$6,350 in 2017, now it is \$12,000. Same for Married filing Separate. For Head of House the value went from \$9,350 to \$18,000.

TAX CREDITS AND EARNED INCOME CREDIT

The Earned Income Tax Credit (EIC or EITC) is a refundable tax credit for low- and moderate-income workers. The amount depends on income and number of children. People without kids can qualify. For the 2019 tax year, the earned income credit ranges from \$529 to \$6,557. For 2020, it's \$538 to \$6,660.

For children under the age of 17, there is a tax credit of up to \$2,000. Filers may claim the full credit if they have income up to \$200,000 for single filers (up from \$75,000 in 2017) and up to \$400,000 for married couples (up from \$110,000 2017).

For a dependent who is 17 or older, the tax reform bill allows a nonrefundable \$500 "family credit". Iowa Support Master will calculate this for you. Therefore you will see in Iowa Support Master a difference between Number of Dependent Children Age 16 or less and Number Age 17 or more.

While Form 1 sets out a line for tax credits, Form 2 does not.

There is no mention of the child tax credit in the guidelines rule on computing taxes under 9.6. The CSRU uses employer estimated withholding tables to compute taxes and views the child tax credit as like the earned income credit, which is specifically exempted as income under Rule 9.5(1)(b).

Earned Income Credit

This benefit is not included as income to either party per Rule 9.5(1)(3)(b) of the Child Support Guidelines. So why is it important to understand? It can amount to a substantial money from Uncle Sam to the recipient who claims the kids and is of the right income.

In 2018, the maximum amount of credit for tax year was: \$6,431 with three or more qualifying children. \$5,716 with two qualifying children. \$3,461 with one qualifying child.

In 2019, \$6,557 three or more. \$5,828 two or more qualifying kids. \$3,526 with one qualifying child.

For the 2020 tax year, the earned income credit ranges from \$538 to \$6,660 depending on your filing status and how many children you have.

You don't have to have a child in order to claim the earned income credit.

SO HOW CAN SUPPORT MASTER HELP ME FIGURE THIS OUT...

There are two features in the program to help you with this.

The first is the "Tax Effects..." feature found in Special Ops.

The second is the "Analysis" page found under the "Analysis" button.

Click the link to watch our short YouTube video: <https://youtu.be/kekIt-eUd9M>