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10 TIPS ON DEPENDENTS AND EXEMPTIONS

By Victor Sy, CPA

1. You may claim exemptions for **yourself, your spouse and your dependents**.
2. Dependents must have a **Social Security number** (TIN is not good enough).
3. Exemption amount **is \$3,700 for 2011** for each exemption.
4. Exemptions **reduce your taxable income and your income tax**.
5. It could also produce credits such as **child care credit, earned income credit, child tax credit, additional child tax credit and other credits**.
6. Some of these **credits are refundable** (meaning that you can get a refund even if your tax is zeroed out).
7. **Do not claim your spouse as your dependent** even if he/she does not have not any income. The rationale: you file a joint return with him/her as your spouse, not as dependent.
8. If you are **claimed as a dependent by another** such as your parents, do not claim your exemption again as this will result in a duplication if deduction. It invites a notice from the IRS. Yes, they will catch it. IRS computers are programmed to identify duplication of exemptions for the same Social Security Number. Guaranteed.
9. You may **not claim a married person** as your dependent if he/she files a joint return with spouse.
10. Your dependent must be a **U.S. citizen, U.S. resident alien, or U.S. national or resident of Canada or Mexico** for some part of the year. There is an exception to this rule for certain adopted children.