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KIDDIE TAX

By Victor Sy, CPA

Children with investment income may have part or all of their income taxed at their parent's tax rate rather than at the child's rate. Investment income includes [interest, dividends, capital gains](#) and other unearned income. This rule applies to children who have [investment income of more than \\$1,900](#) and [meet one of three age requirements](#):

1. The child is younger than 18 (through age 17).
2. The child is 18 and has earned income that does not exceed one-half of their own support for the year.
3. The child is older than 18 and younger than 24 and a full-time student with earned income that does not exceed one-half of the child's support for the year.

To figure the child's tax using this method, fill out [Form 8615](#), Tax for Certain Children Who Have Investment Income of More Than [\\$1,900](#), and attach it to the child's federal income tax return. When certain conditions are met, you may be able to [avoid having to file a tax return for your child by including the child's income on your own tax return](#). File [Form 8814](#), Parents' Election To Report Child's Interest and Dividends.

Read IRS Publication 929 (Tax Rules for Children and Dependents) at [IRS.gov](#) in the Forms and Publications section. You may also order them by calling the IRS at 800-TAX-FORM (800-829-3676). Try these links:

1. [Form 8615, Tax for Children Under Age 18 With Investment Income of More Than \\$1,900.](#)
2. [Form 8615, Instructions.](#)
3. [Form 8814, Parent's Election to Report Child's Interest and Dividends.](#)
4. [Publication 929, Tax Rules for Children and Dependents.](#)