

**ANSWERS****SESSION 2 – DEPENDENTS**

**Example 1** – John supports his wife’s Uncle George who lives in another city and has \$2400 of taxable income. John files MFJ with his wife.

- Is George a QC or QR of John? **YES** – Uncle George is a QR of John. His gross income is less than the threshold and he meets the QR Relationship Test because George is his wife’s uncle and John and his wife are filing a joint return. It is irrelevant that he didn’t live with John since he meets the QR Relationship Test.
- What if John filed an MFS return? **NO** – Uncle George fails the QR Relationship Test because an uncle-in-law is not one of the listed relationships for John as the taxpayer.
- What if John is divorced? **YES** – If the relationship existed during a marriage, a subsequent divorce or death of a spouse doesn’t end the qualifying relationship.

**Example 2** – James supports his cousin Angela who lives in another city and has \$3,000 of taxable income. James files MFJ.

- Is Angela a QC or QR of James? **NO** – A cousin does not satisfy the QC or QR Relationship Tests and Angela did not live with James and thus does not satisfy the QR Principal Place of Abode test which requires the taxpayer and other person to live together all year.

**Example 3** – Ralph is 64 and lives with his son and daughter-in-law all year. He earned \$4,800 from a part-time job.

- Is Ralph a QC or QR of his son? **NO** – He fails the QC Relationship Test and fails the QR Gross Income Test.
- What if the \$4,800 was Social Security benefits? **YES** – He is a QR. Nontaxable SS is ignored for purposes of the QR Gross Income Test. SS doesn’t become taxable until the taxpayer’s other gross income plus tax-exempt interest plus one-half of their SS exceeds \$25,000.

**Example 4** – Jim is supporting his friend, Fred, who lived with him all year other than for a brief stay in the hospital. Fred earned \$5,000 in Social Security benefits but had no other income. Jim supplied more than half of Fred’s support.

- Is Fred a QC or QR of Jim? **YES** – He fails the QC Relationship Test. He also fails the QR Relationship Test but satisfies the alternative QR Principal Place of Abode test as he lived in Jim’s household for the entire year (and the temporary absence is ignored). Fred also satisfies the Gross Income Test because his income was all nontaxable Social Security income which is ignored for purposes of the Gross Income Test.

**Example 5** – Stacy, age 40, has a son, Ben, age 14, and they lived all year with Stacy’s boyfriend, who is not Ben’s father. Stacy made \$7,000 and her boyfriend made \$50,000. All of Ben’s support was provided by the boyfriend.

- Is Stacy a dependent of her boyfriend? **No**. She doesn’t satisfy the QC Age Test and made more than \$4,400 and thus fails the QR Gross Income test.
- Is Ben a QC or QR of Stacy? **YES** – He satisfies all of the QC tests vis-à-vis Stacy. The Support Test is met because Ben did not provide more than half of his own support (even though she provided none of his support).
- Is Ben a QC or QR of the boyfriend? **COULD BE A QR**. Ben is not a QC of the boyfriend because he does not satisfy the QC Relationship Test. Could be a QR – If Stacy is required to file a tax return, Ben cannot be a QR of the boyfriend because he fails the Not a QC test. However, if Stacy is not required to file a tax return or only files to get a refund of withheld taxes, Ben is not treated as a QC of Stacy and would be a QR of the boyfriend.
- What is the most advantageous filing status for Stacy? **Single** Stacy is not married and isn’t a widow, so the only choices are Head of Household or Single. She cannot qualify for Head of Household because she did not provide more than half the costs of maintaining the home, So, her only filing status choice is Single.
- Can the boyfriend file as Head of Household? **NO**. He must have a qualifying person living in his household to qualify. Stacy is neither a QC nor a QR with respect to the boyfriend. Ben may be a QR as discussed above, but the qualifying person definition of HoH is narrower, as it requires, among other things, that the person satisfy the QC or QR relationship tests. Unrelated persons cannot be a qualifying person for HoH purposes.
- How do we decide who should claim Ben? Based on these facts, Stacy should claim Ben. The boyfriend is entitled to the \$500 credit for Other Dependents if he claims Ben but cannot claim the CTC or claim Ben as a QC for purposes of the EIC. Stacy receives an EIC of \$2,389 by claiming Ben, as well as a refundable Additional CTC of \$675.

## Certification Tests Questions

### 1. Barbara Jacobs

1. **Answer is c, Both Barbara and Jenny.** Marie is a QC with respect to both Barbara and Jenny. The Support Test for a QC looks to whether the person (Marie) provided more than half of her own support, not whether Barbara or Jenny provided more than half of her support. Thus, she satisfies the definition of a QC with respect to both Barbara and Jenny.
2. **Answer is b, Barbara, but only if Jenny does not claim Marie.** This is both a Tiebreaker Rule question and a Divorce/Separated Parents question. Under the Tiebreaker Rules, if one of the taxpayers is a parent, the parent normally is the winner under the rules. However, if a parent can claim a child but chooses not to, another taxpayer who can claim the child as a QC may claim the tax benefits associated with the child so long as no parent claims the child and the other taxpayer’s AGI is higher than the highest AGI of any parent who can claim the child. Because Marie lived with Jenny for more than half the year and not with her father, the father cannot claim Marie as a QC unless Jenny signs Form 8332, which she has not done here. So, we can ignore the father and “d” cannot be the right answer. Jenny can claim the CTC for

Marie, but she can also choose not to claim the CTC and allow Barbara to claim the CTC since Barbara's AGI is higher than Jenny's and we don't care about the father's AGI since he cannot claim Marie. Answer "a" is therefore incorrect, as Jenny can allow Barbara to claim the CTC. Answer "c" is also incorrect, as whether Jenny files a return is not the test under the Tiebreaker Rules. Instead, the test is whether Jenny actually claims Marie and thus the correct answer is "b". If Marie was a QR of Barbara rather than a QC (and thus we wouldn't be under the Tiebreaker Rules since these only apply to a child with multiple taxpayers able to claim the child as a QC), then the test would have been whether Jenny was required to file a return or filed a return solely to obtain a refund of withheld taxes and "c" would then have been the correct answer.

## 2. Donna and Becky Howard

1. **Answer is b.** This is a Tiebreaker Rule question. In this situation, the children are QCs of both Donna and Becky. We turn to the Tiebreaker Rules to determine who gets to claim the kids as Dependents. In this case, Becky is the parent, so she normally wins under the Tiebreaker Rules. The children did not live with the father and thus cannot be QCs of the father (and Becky has not signed Form 8332, so the divorced/separated parents' rules do not apply). There is an exception to Becky being the winner under the Tiebreaker Rules that could allow Donna to claim the children as Dependents in certain situations. However, this exception does not apply here because Donna's AGI was not higher than Becky's for 2022. Thus, Becky is the only taxpayer who can claim the children as Dependents for 2022.
2. **Answer is c.** The main issue is whether anyone can qualify as Head of Household (HoH). In Donna's situation, the issue is whether she has a qualifying person for purposes of the HoH filing status. As discussed in the first question, Donna cannot treat the children as her QCs. And they also cannot be her QRs because they are Becky's QCs and Becky is required to file a tax return. Because the children are neither QCs nor QRs with respect to Donna, they cannot be qualifying children of hers for purposes of HoH. The next issue is whether Becky could be a qualifying person for Donna to claim HoH. The answer to this is also no, as Becky earned more than \$4,400 and thus cannot be the QR of Donna and is too old to be a QC. Because Donna does not have a qualifying person, she cannot file HoH.

For Becky, she has the two children who are her Dependents. The issue she faces with HoH status is the requirement that she pay more than half the cost of maintaining the home in which she lives with her Dependents. The facts state that Donna, not Becky, paid more than half the costs of maintaining the home. Thus, Becky is also not entitled to claim HoH filing status. In this case, both Donna and Becky must file as Single.