

Abstract: Every qualifying child claimed on a tax return needn't be a biological child. IRS rules say that a variety of individuals may qualify, under the right circumstances. This article explains why this is important and discusses some of the criteria for identifying qualifying child dependents.

Identifying qualifying children for tax purposes

As you file your 2016 income tax return, you may be wondering whether you're eligible for tax breaks related to a niece who lives with you, or perhaps a stepson who spends only part of the year in your home. It all depends on whether, for federal tax purposes, that person is your "qualifying child."

Widely applicable

In an effort to simplify the tax code and eliminate confusion, Congress established a uniform definition of "qualifying child" as part of the Working Families Tax Relief Act of 2004. The definition applies for purposes of several child-related tax benefits, such as:

- Dependency exemptions,
- The child tax credit,
- The child and dependent care credit, and
- Head-of-household filing status.

The definition relies on residency rather than requiring that you have provided more than half of a dependent's support, as was the case years ago.

4 tests to pass

More specifically, a qualifying child must meet four tests:

- 1. Relationship.** The definition applies to your child (including one who's adopted or who's an eligible foster child), stepchild, brother, sister, stepbrother or stepsister. It also includes any of their descendants. So, for example, your grandchildren, nieces and nephews also qualify.
- 2. Age.** A child must be under age 13 when the care was provided to qualify for the child and dependent care credit, under age 17 (as of the end of the year) for the child credit and under age 19 (age 24 for a full-time student) for the other tax benefits. Except for the child credit, there's no age limit for a permanently disabled person.
- 3. Residence.** The child must share your principal place of abode for more than half the year, which includes time spent away from home because of school, military service or illness.

4. Support. It's no longer necessary for you to provide more than half of a child's support. But the qualifying child generally can't provide more than half of his or her own support.

Under the current definition, the child must be a citizen or resident of the United States, Canada or Mexico to qualify. However, if the child files a joint return, he or she won't qualify. If more than one person claims a benefit with respect to the same child, the tax code specifies who's entitled to tax benefits.

If two or more people are eligible to claim the same child as a dependent, they can decide among themselves who will claim the tax benefits. In the event that more than one person actually claims those benefits, there are a variety of rules in place to break the tie.

Further questions

As you can see, the Internal Revenue Code recognizes that families take care of each other and not every child claimed in relation to tax benefits will be a biological child. If you have further questions about this topic, please contact our firm.

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