

## **Unearned Income of Minor Child -- How to Report It**

*How is the unearned income of a minor child reported for Colorado income tax purposes?*

Parents of children with gross unearned income greater than \$850 but less than \$8,500 are given the option to report their child's income on their federal income tax return, Form 1040, by completing and attaching Form 8814 to the Form 1040. Form 8814 is for children under the age of 18 at the end of the tax year who received unearned income consisting of interest or dividends. (For tax years 2008, full time students under age 24 will also be included).

When Form 8814 is used, the child's unearned income greater than \$850 but not greater than \$1,700 is not included in the parents' federal taxable income because it is not subject to the parents' marginal tax rate.

The proper way to handle this situation for Colorado income tax purposes is for the parents to include the missing income on the "other additions" line of their Colorado 104 Form. The explanation would be "unearned net taxable income of minor child." The amount to enter is the smaller of: a) \$850 or b) the total taxable interest and dividend income from form 8814 minus \$850 for each child for whom a Form 8814 is completed.

This directive does not apply when the child is filing his/her own income tax return.