

## Tax Dependent Status – Definitions

**Please note: This information is not intended as tax advice but rather to alert employees of potential tax ramifications and IRS rules. The State recommends all employees with additional questions regarding the tax status of dependent children consult with a qualified tax advisor. More detailed information is also found in [IRS Publication 501](#) and at [www.irs.gov](http://www.irs.gov),**

***PLEASE BE AWARE*** - Situations involving the children of divorced parents, grandchildren, children who are not your biological or adopted children or other less common situations can be complex. Please refer to a tax professional, as well as the IRS ([IRS Publication 501](#), [www.irs.gov](http://www.irs.gov)) to help you determine the tax status of these children.

### **Can a spouse, including a common-law spouse, be a non-tax dependent?**

No. For purposes of determining your dependents' tax status, your spouse is always considered a tax dependent.

**Non-tax dependent** - A dependent that CANNOT be claimed as an exemption on your tax return to the IRS, as the dependent does not meet the IRS tests for a Qualifying Child (QC) or a Qualifying Relative (QR) – see these tests below.

- Example 1 – A dependent child, age 19 – 23, who is *not* a full-time student and supports him/herself.
- Example 2 – A dependent child age 24, regardless of student status and supports him/herself.
- Example 3 – Your son or daughter, under age 19, who lives with you, but is claimed as a dependent on your ex-spouse's taxes.

**Tax dependent** – A dependent that CAN be claimed on your tax return, specifically one that meets the IRS rules of a Qualifying Child (QC) or Qualifying Relative (QR). See the IRS tests for QC and QR below, as well as IRS Publication 501 for more information on QC and QR.

Example – Your son or daughter, age 0 – 18, who lives with you and your spouse.

### **IRS Tests for a *Qualifying Child (QC)***

The IRS has 5 tests that must be met in order for the dependent to be treated as a QC. These tests are described in detail in [IRS Publication 501](#); the lists below should not be used as the sole determination of your dependent's tax status.

- 1) Relationship
  - a) Child must be legally related to you
- 2) Age (determined by age at END of calendar year)
  - a) Child must be 18 or younger

- b) Or – Child is 19-23 and a full-time student
- c) Or – Child is permanently and totally disabled, regardless of age
- 3) Residency
  - a) Child must have lived with you for more than half of the year
  - b) There are exceptions for temporary absences, see [IRS Publication 501](#) for more information
- 4) Support
  - a) Child must NOT have provided more than half of his/her own support for the year
- 5) Special Test for Qualifying Child of More Than One Person
  - a) To be used if child meets above tests for more than one person
  - b) See [IRS Publication 501](#) for more information

### **IRS Tests for a *Qualifying Relative (QR)***

The IRS has 4 tests that must be met in order for the dependent to be treated as a QR. These tests are described in detail in [IRS Publication 501](#); the lists below should not be used as the sole determination of your dependent's tax status.

- 1) Not a QC
  - a) Dependent does not meet above QC tests
- 2) Member of Household/Relationship
  - a) Dependent must live with you all year as a member of your household
  - b) Or – Dependent must be related in one of the ways listed in [IRS Publication 501](#), page 15 (“Relatives who do not have to live with you”)
- 3) Gross Income
  - a) Dependent's gross income for the year must be less than \$3,500
- 4) Support
  - a) You must provide more than half the dependent's total support for year
  - b) If dependent is supported by two or more people, see [IRS Publication 501](#) for information

**Can State employees choose medical/dental coverage for non-tax dependents?** – Yes. A few years ago, State law changed and allowed employees to cover dependent children up to age 25 (through age 24 up to their 25<sup>th</sup> birthday, not beyond) whether they were full-time students or not. But the IRS regulations did not change, and in most cases, the IRS considers 19-23 year-olds (not 24 year-olds) to be tax dependents only if they are full-time students. Of course other requirements for a Qualified Child or Qualified Relation may apply (see IRS Publication 501 for more information). ***It is this difference between state law and federal IRS regulations that causes the need for changes in taxation of your state salary.***