

- 3) Dependents on line 6c not entered above. Include children who did not live with the taxpayer for reasons other than divorce or separation and dependents who are not considered the taxpayer's children (for example, the taxpayer's parent).

Taxpayer Identification Numbers

Social Security numbers (SSNs) must be listed for all dependents. The only exceptions are children who were born and died in 2012. If a SSN was not issued for a child who was born alive and died in 2012, write "Died" in column 2 of line 6c and attach a copy of the child's birth certificate, death certificate or hospital record to the return.

File Form SS-5 with the Social Security Administration (SSA) to apply for a SSN. It usually takes about two weeks to get a SSN. If a number is not received by the due date, the return should be extended.

Individual taxpayer identification numbers (ITINs) must be reported for alien dependents who are not eligible for SSNs. File Form W-7 with the IRS to apply for an ITIN. It usually takes 6–10 weeks to get an ITIN.

Adoption taxpayer identification numbers (ATINs). While an adoption is pending, a taxpayer may be unable to obtain the child's existing SSN or obtain a SSN for the child if one has not been issued. If the taxpayer would otherwise be able to claim the child as a dependent and the child is a U.S. citizen or resident, the taxpayer can request an ATIN by filing Form W-7A, *Application for Taxpayer Identification Number for Pending U.S. Adoptions*. An ATIN can be used to claim the dependency exemption, the child and dependent care credit, and the adoption credit. An ATIN cannot be used to claim an earned income credit (EIC). A taxpayer qualifying for the EIC must amend his return to claim the credit after obtaining the child's SSN. An ATIN should not be requested if a SSN can be obtained prior to the filing deadline. For more information see the instructions for Form W-7A.

DEPENDENTS

For claiming the dependency exemption, a dependent is either a:

- 1) Qualifying child or
- 2) Qualifying relative. [IRC §152(a)]

Claiming a Dependent—Quick Reference

(See discussion in this section for details.)

- A taxpayer cannot claim any dependents if he, or his spouse if filing jointly, can be claimed as a dependent by another taxpayer.
- The person claimed as a dependent must be:
 - 1) Unmarried (or if married, does not file a joint return).
 - 2) A U.S. citizen, resident alien or national or a resident of Canada or Mexico.
 - 3) Either a *qualifying child* or a *qualifying relative*.

Qualifying Child	Qualifying Relative
<p>The person must:</p> <ol style="list-style-type: none"> 1) Be the taxpayer's child, stepchild, eligible foster child, brother, sister, stepbrother, stepsister or descendant of any of them. 2) Be (a) younger than taxpayer and either under age 19 or a full-time student under age 24 or (b) any age if totally and permanently disabled. 3) Live with the taxpayer more than half the year. 4) Not provide more than half of his own support. 5) Not file a joint return (unless filed only to claim a refund). 6) Not be a qualifying child of another taxpayer with higher priority under the tie-breaker rules. 	<p>The person must:</p> <ol style="list-style-type: none"> 1) Not be the taxpayer's or anyone else's qualifying child. See <i>Not a qualifying child of any other taxpayer</i> on Page 4-10. 2) Either (a) live with the taxpayer all year as a member of his household or (b) be related to the taxpayer. 3) Have gross income less than \$3,800. <p>The taxpayer must provide more than half of the person's total support for the year.</p>

Basic Tests

There are three basic tests that apply regardless of whether a taxpayer is claiming a qualifying child or a qualifying relative as a dependent.



Taxpayer is not another's dependent. A taxpayer cannot claim anyone as a dependent if he himself can be claimed as a dependent by another person. [IRC §152(b)(1)]

Joint return. A married person who files a joint return cannot be claimed as a dependent [IRC §151(b)(2)]. *Exception:* A joint return filed only to claim a refund of tax withheld when neither spouse is required to file and no tax liability would exist for either spouse if separate returns were filed.

Citizen or resident. To be a dependent, the person must be one of the following:

- 1) U.S. citizen or national or a resident alien.
- 2) Resident of Canada or Mexico. [IRC §152(b)(3)]

Exception: A child does not have to meet this test if he has been legally adopted by a U.S. citizen or national if the child lived with the adoptive parent as a member of his household all year. This exception also applies if the child was lawfully placed with the taxpayer for adoption.

Dependents—Applicable Tests

Test	Qualifying Child	Qualifying Relative	
		Related	Unrelated
Joint return	Yes	Yes	Yes
Citizenship or resident	Yes	Yes	Yes
Relationship	Yes	Yes	No
Lived with taxpayer	Yes (> half year)	No	Yes (all year)
Age	Yes	No	No
Support	Yes, based on dependent's contribution	Yes, based on taxpayer's contribution	Yes, based on taxpayer's contribution
Gross income	No	Yes	Yes

Qualifying Child

A *qualifying child* is one who meets the following six tests: [IRC §152(c)]

- 1) Relationship.
- 2) Age.
- 3) Residency.
- 4) Support.
- 5) Joint return.
- 6) Tie-breaker test if the child is the qualifying child of more than one person.



Relationship test. The child must be the taxpayer's:

- Son, daughter, stepchild, eligible foster child or a descendant of any of them (for example, grandchild) or
- Brother, sister, half-brother, half-sister, stepbrother, stepsister or a descendant of any of them (for example, niece or nephew).

Adopted child. An individual legally adopted by the taxpayer or an individual lawfully placed with the taxpayer for legal adoption is treated as a child by blood.

Eligible foster child. An eligible foster child is one placed with the taxpayer by an authorized placement agency or by judgment, decree or other order of any court of competent jurisdiction and is treated as the taxpayer's child.

Age test. The child must be either:

- Under age 19 at the end of the year and younger than the taxpayer (or spouse if MFJ).

Continued on the next page

Education Tax Incentives Comparison Chart (2012)

	American Opportunity Credit	Lifetime Learning Credit	IRA Withdrawals	Savings Bond Interest Exclusion	Student Loan Interest Deduction	Tuition and Fees Deduction	Qualified Tuition Program (QTP) (529 Plan)	Education Savings Account (ESA)
IRC §	25A	25A	72(t)	135	221	222	529	530
QF Page	12-9	12-9	14-1	13-3	13-4	13-4	13-6	13-7
Tax Benefit	Tax credit—40% refundable; ¹ 60% nonrefundable.	Tax credit—nonrefundable.	10% early withdrawal penalty is waived.	Tax-free interest.	Above-the-line tax deduction.	Above-the-line tax deduction.	Tax-free earnings (savings plan) or tax-free education credits (prepaid plan).	Tax-free earnings.
2012 Annual Limits	Credit up to \$2,500 per student (100% of first \$2,000 of expenses and 25% of next \$2,000).	Credit up to \$2,000 per return (20% of up to \$10,000 of expenses).	Amount of qualifying expenses.	Amount of qualifying expenses.	Deduction of up to \$2,500 of interest paid on education loan.	Deduction of up to \$4,000 of qualifying expenses paid.	Nondeductible contributions limited to amount necessary to cover qualified expenses.	\$2,000 nondeductible contribution per child under age 18 or any age if special-needs child.
Qualified Education Expenses (QEE)²	Tuition and fees; books, supplies and equipment. ³	Tuition and fees; books, supplies and equipment. ⁴	Tuition and fees; books, supplies and equipment; ³ room and board if at least half-time attendance.	Tuition and fees; contributions to QTPs and ESAs.	Tuition and fees; books, supplies and equipment; room and board, transportation, other necessary expenses.	Tuition and fees; book, supplies and equipment. ⁴	Tuition and fees; books, supplies and equipment; ³ room and board if at least half-time attendance.	Tuition and fees; books, supplies and equipment; ³ room and board if at least half-time attendance; payments to QTP. ⁵
QEE Must Be For	Taxpayer, spouse or dependent.	Taxpayer, spouse or dependent.	Taxpayer, spouse, child or grandchild.	Taxpayer, spouse or dependent.	Taxpayer, spouse or dependent.	Taxpayer, spouse or dependent.	Account beneficiary.	Account beneficiary.
Qualifying Education	First four years of undergraduate.	Undergraduate and graduate.	Undergraduate and graduate.	Undergraduate and graduate.	Undergraduate and graduate.	Undergraduate and graduate.	Undergraduate and graduate.	K–12, undergraduate and graduate.
Other Rules and Requirements	Must be enrolled at least half-time in a degree program; parents can shift credit to student by not claiming student as a dependent.	Available for unlimited number of years for both degree and non-degree programs; parents can shift credit to student by not claiming student as a dependent.	Penalty waived on IRA distributions up to the amount of qualified expenses for the year.	Applies only to qualified Series EE bonds issued after 1989 or Series I bonds; bond owner must be at least 24 years old when bond issued.	Loan must be incurred solely to pay qualified education expenses of student enrolled at least half-time in a degree program. Payer must be legally obligated to repay debt.	Not allowed if education expenses are deducted under another provision or education credit is claimed.	Account owner can change beneficiary or reclaim funds; can elect to spread gift over five years; some states allow deduction to residents; beneficiary can be anyone.	Contributions must be made by the original return due date; may also contribute to QTP; mandatory distributions at age 30; beneficiary can be anyone.
2012 Modified AGI Phase-Out						Not allowed if MAGI exceeds: ⁷		
MFJ.....	\$ 160,000–180,000	\$ 104,000–124,000	N/A	\$ 109,250–139,250	\$ 125,000–155,000	\$ 160,000	N/A	\$ 190,000–220,000
Single, HOH, QW ⁶	80,000– 90,000	52,000– 62,000		72,850– 87,850	60,000– 75,000	80,000		95,000–110,000
MFS.....	Do Not Qualify	Do Not Qualify		Do Not Qualify	Do Not Qualify	Do Not Qualify		95,000–110,000

¹ **Caution:** Not refundable for certain children under age 24. See *American Opportunity Credit* on Page 12-9.

² Qualifying educational expenses must be reduced by any tax-free scholarships and grants. The same educational expenses cannot be used for figuring more than one benefit.

³ Must be required for enrollment or attendance at an eligible educational institution.

⁴ Must be paid to the eligible educational institution as a condition of the student's enrollment or attendance at the institution.

⁵ See *Qualified elementary and secondary expenses (K–12th grade)* on Page 13-7 for additional QEE for K–12 students.

⁶ For savings bond interest exclusion, QW is subject to the same phase-out range as MFJ.

⁷ No AGI phase-out range. Up to \$4,000 is deductible if MAGI does not exceed \$65,000 (\$130,000 for MFJ). Up to \$2,000 is deductible if MAGI does not exceed \$80,000 (\$160,000 for MFJ).

Retirement



Tab 14 Retirement Topics

<p>2012 IRA Chart Page 14-1</p> <p>2012 Employer and Self-Employed Retirement Plan Chart..... Page 14-2</p> <p>Exceptions to 10% Withdrawal Penalty Before Age 59½..... Page 14-3</p> <p>Traditional IRAs Page 14-4</p> <p>Deducting Traditional IRA Contributions Page 14-5</p> <p>Roth IRAs..... Page 14-6</p> <p>Roth IRA Conversions..... Page 14-7</p> <p>Rollovers and Transfers Page 14-9</p> <p>Withdrawals and Distributions..... Page 14-12</p> <p>Required Minimum Distributions Page 14-14</p>	<p>Lump-Sum Distributions..... Page 14-14</p> <p>Reporting Penalty Taxes Page 14-15</p> <p>IRAs at Death..... Page 14-15</p> <p>Simplified Employee Pensions (SEPs) Page 14-17</p> <p>Contribution Limits for the Self-Employed..... Page 14-17</p> <p>SIMPLE IRA Plans Page 14-18</p> <p>Qualified Retirement Plans Page 14-18</p> <p>One-Person 401(k) Plans Page 14-19</p> <p>Losses From IRAs and Pensions..... Page 14-19</p> <p>Annuity Distributions Page 14-20</p> <p>Railroad Retirement..... Page 14-20</p>
--	---

2012 IRA Chart					
	Traditional IRA		Roth IRA		
	Deductible IRA	Nondeductible IRA			
Qualifications to Make Contributions	Individual (or spouse) must have earned income (compensation) and must be under age 70½ at end of the year.		Individual (or spouse) must have earned income (compensation). No age restrictions.		
Contribution Limit	Lesser of (1) \$5,000 (additional \$1,000 if age 50 or older at end of the year) or (2) compensation. <i>Spousal IRA rule:</i> Provided a joint return is filed, the lower-earning spouse (even if no earnings) can consider the other's compensation to the extent it has not been taken into account in making an IRA contribution for the higher-earning spouse.		Same as traditional IRA but phases out at following modified AGI amounts: MFJ, QW: \$ 173,000 – \$ 183,000 Single, HOH: 110,000 – 125,000 MFS: ¹ 0 – 10,000		
Contribution Deadline	Due date (not including extensions) of return for the year of the contribution. April 15, 2013 for 2012 contributions.				
Allowable Deduction	Full deduction if individual (and spouse) not covered by an employer retirement plan. If individual (or spouse) is covered by an employer retirement plan, see next row.	None	None		
Impact of Being Covered By an Employer Retirement Plan	If individual is covered, the deduction for the individual's contribution is subject to phase-out at the following modified AGI amounts: MFJ, QW: \$ 92,000 – \$ 112,000 Single, HOH: 58,000 – 68,000 MFS: ¹ 0 – 10,000 If not covered but spouse is covered, the deduction for the individual's contribution is subject to phase-out at the following modified AGI amounts: MFJ, QW: \$ 173,000 – \$ 183,000 MFS: ¹ 0 – 10,000	None	None		
Taxation of Distributions	Distributions are taxable as ordinary income. If there are any traditional IRAs with basis, the value and basis of all of the individual's traditional IRAs (including SEP IRAs and SIMPLE IRAs) are combined to compute the nontaxable portion of the distribution, based on a pro rata allocation.		Qualified distributions are nontaxable—See <i>Qualified distributions</i> on Page 14-7. The earnings portion of nonqualified distributions is taxable as ordinary income. ²		
Penalties	6% penalty on all excess contributions. 10% penalty on early (pre-age 59½) distributions not meeting a penalty exception (see below). 50% penalty on excess accumulation when required minimum distribution not made.				
Exceptions to 10% Early Distribution Penalty	The 10% penalty does not apply to the following IRA distributions: <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> 1) On or after age 59½. 2) After becoming disabled. 3) To a beneficiary of a deceased IRA owner. 4) Substantially equal periodic payments. 5) To the extent the taxpayer has unreimbursed medical expenses exceeding 7.5% of his AGI. </td> <td style="width: 50%; vertical-align: top;"> 6) Made to certain unemployed individuals to the extent of the cost of their health insurance. 7) To the extent the taxpayer has qualified higher education expenses. 8) Used to buy, build or rebuild a first home (up to \$10,000 lifetime limit). 9) Resulting from an IRS levy on the account. 10) Made to certain military personnel. </td> </tr> </table>			1) On or after age 59½. 2) After becoming disabled. 3) To a beneficiary of a deceased IRA owner. 4) Substantially equal periodic payments. 5) To the extent the taxpayer has unreimbursed medical expenses exceeding 7.5% of his AGI.	6) Made to certain unemployed individuals to the extent of the cost of their health insurance. 7) To the extent the taxpayer has qualified higher education expenses. 8) Used to buy, build or rebuild a first home (up to \$10,000 lifetime limit). 9) Resulting from an IRS levy on the account. 10) Made to certain military personnel.
1) On or after age 59½. 2) After becoming disabled. 3) To a beneficiary of a deceased IRA owner. 4) Substantially equal periodic payments. 5) To the extent the taxpayer has unreimbursed medical expenses exceeding 7.5% of his AGI.	6) Made to certain unemployed individuals to the extent of the cost of their health insurance. 7) To the extent the taxpayer has qualified higher education expenses. 8) Used to buy, build or rebuild a first home (up to \$10,000 lifetime limit). 9) Resulting from an IRS levy on the account. 10) Made to certain military personnel.				
Required Distributions	Must begin by April 1 of the year following the year the account owner turns age 70½.		Distributions are required only after the death of the Roth IRA owner.		
Rollovers and Conversions	IRA funds may be rolled into another IRA or employer retirement plan (see <i>Rollovers and Transfers</i> on Page 14-9). IRA funds may also be converted to a Roth IRA—the conversion is subject to income tax but not the 10% early withdrawal penalty. ³		Funds from one Roth IRA may be rolled over tax-free into another Roth IRA.		

¹ Married individuals filing MFS who live apart at all times during the year are treated as single.

² Roth IRA distributions are treated as made from contributions first. Taxation on the earnings portion begins after total distributions exceed total contributions.

³ Traditional IRA converted to a Roth IRA must remain in the Roth IRA for five years or the 10% penalty applies to the converted amount that is withdrawn, even if the amount distributed is not subject to income tax (unless one of the 10% penalty exceptions applies).