

## Issue Number: IRS Tax Tip 2010-38

### Inside This Issue

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#### Four Facts Every Parent Should Know about Their Child's Investment Income

The IRS wants parents to be aware of the tax rules that affect their children's investment income. The following four facts will help parents determine whether their child's investment income will be taxed at the parents' rate or the child's rate.

**1. Investment Income** Children with investment income may have part or all of this income taxed at their parents' tax rate rather than at the child's rate. Investment income includes interest, dividends, capital gains and other unearned income.

**2. Age Requirement** The child's tax must be figured using the parents' rates if the child has investment income of more than \$1,900 and meet one of three age requirements for 2009:

- The child was born after January 1, 1992.
- The child was born after January 1, 1991, and before January 2, 1992, and has earned income that does not exceed one-half of their own support for the year.
- The child was born after January 1, 1986, and before January 2, 1991, and a full-time student with earned income that does not exceed one-half of the child's support for the year.

**3. Form 8615** To figure the child's tax using the parents' rate for the child's return, fill out Form 8615, Tax for Certain Children Who Have Investment Income of More Than \$1,900, and attach it to the child's federal income tax return.

**4. Form 8814** When certain conditions are met, a parent may be able to avoid having to file a tax return for the child by including the child's income on the parent's tax return. In this situation, the parent would file Form 8814, Parents' Election To Report Child's Interest and Dividends.

More information can be found in IRS Publication 929, Tax Rules for Children and Dependents. This publication and Forms 8615 and 8814 are available at IRS.gov or by calling 800-TAX-FORM (800-829-3676).

#### Links:

- Form 8615, Tax for Children Under Age 18 With Investment Income of More Than \$1,800 ([PDF 49K](#))
- Form 8615, Instructions ([PDF 24K](#))
- Form 8814, Parent's Election to Report Child's Interest and Dividends ([PDF 43K](#))
- Publication 929, Tax Rules for Children and Dependents ([PDF 220K](#))