

Frequently Asked Questions

Does a court order determine and/or supercede the IRS requirements on who may claim a dependent child? *NO. Federal law determines who may claim a dependency exemption.*

I claimed my son because he is a full time student. Can he also claim himself as a dependent when he files his return? *NO. If you claim your child as a dependent, they cannot claim themselves also. PLEASE NOTE: the child must be under 24 as of December 31st of the previous year to be claimed even when a full time student unless they made less than their exemption amount for that year.*

We provided a home for our niece and her son for the past 7 months. Can we claim her and her son? *Possibly. In order to be your dependent, your niece and her son must meet several tests including: qualifying child or relative test, dependent taxpayer test, citizenship test, and joint return test. Your niece's income will also be a deciding factor. NOTE: it may be beneficial to your niece to file her own return and claim her child. If she did work, but is low income, the earned income credit may help her greatly and enable her to get out of your home.*

Can I claim my child for 6 months and my ex claim him for 6 months? *NO. A dependency exemption cannot be split. There is no such thing and never has been possible. Generally, the child is treated as a qualifying child and is claimed by the custodial parent.*

Are life insurance proceeds taxable? *Generally, if you receive proceeds under a life insurance contract because of the death of the insured, the benefits are not taxable income and do not have to be reported. However, the proceeds are shown as household income on all Michigan credits.*

I pay a lot of child support. Can I deduct it on my taxes? Does my ex have to claim it as income? Can I claim the child as dependent because I pay all this support? *Child support payments are neither deductible by the payer nor taxable income by the recipient. However, the income is reported on any Michigan credit forms as household income. Generally, the parent that the child lived with the greater part of the year is considered to be the custodial parent and is allowed to claim the exemption for that child.*

My son was born on December 31st. Can I claim an exemption for him and for the Child Tax Credit? *YES. If your child was born ANYTIME during the tax year, and the exemption tests are met, you may take a full exemption and you may also be entitled to the Child Tax Credit if income allows. Also, if you are low income, you may also claim the Earned Income Credit for this child. This also applies to any child/dependent that passed away during the tax year. If there was a breath taken in that year, they are eligible to be used as a dependent the entire year.*

I sold my home this year. What forms do I need to file and how much tax will this cost me? *As long as this home was your principal residence, you will probably owe nothing. If, during the preceding 5-year period ending on the date of the sale, you have owned the home at least 2 years, and lived in the home at least 2 years, you will owe nothing.*

I use my home for business. Can I deduct all my home expenses for business? *To deduct limited expenses, the business part of your home must be exclusive, regular, and for your trade or business. Also, the business portion of your home must be one of the following: your principal residence, a place where you meet or deal with people in the normal course of your business, or a separate structure you use in connection with your business. In addition, regular household expenses such as, phone, utilities, insurance, interest, depreciation, etc, cannot create a business loss, or extend a business loss.*

What expenses qualify for the education credits? *For the entire length of this credit, it has always been ONLY qualified tuition and fees for enrollment. Beginning in 2009, the qualified expenses were expanded to include books, supplies, and equipment required to complete your course of study.*

As an employee, what types of educational expenses are deductible? *As an itemized deduction on schedule A, educational expenses include tuition, books, supplies, lab fees, research costs, cost of correspondence courses, and possibly transportation expenses to attend qualified educational activities. Other tests must also be met if education is required by employer. Even if these expenses do not qualify as an itemized deduction, you may be able to use them as an education credit and save more tax with that option.*

If I must obtain a loan for tuition, can I still take a Hope or Lifetime Learning Credit? *If you take out a government subsidized loan to pay for higher education expenses, those expenses may qualify for the credit if you are required to pay back the loan. The credit is claimed in the year the expenses are paid, not in the year in which the loan is repaid. Also, any interest paid on the loan may be claimed as student loan interest once you have started paying on the loan.*

Are expenses paid to attend private schools or parochial schools deductible or eligible for the education credits? *NO. Expenses paid to any private or parochial school or high schools do not qualify for education credits, as they are not an eligible educational institution. An eligible educational institution is any college, university, vocational school, or post-secondary institution eligible to participate in a student aid program administered by the Department of Education.*

I recently installed new windows, exterior doors, purchased a new furnace, insulated my home, and bought a new refrigerator, hot water heater, dishwasher, washing machine, etc. Do I qualify for an energy credit? *Yes. All of these items qualify for the energy credit, some for federal and some for state, as long as they are installed in your PRIMARY RESIDENCE and meet the ENERGY STAR requirements.*

I was married in October. I have two children of my own. I am low income. My husband makes a lot of money. Can I still file head of household so I can get the earned income credit one more time? *NO. IRS rules require you to file as you were on December 31st. You have the choice of filing jointly with your spouse or separately. However, if you file separately, you DO NOT qualify for the EIC. This also applies if you were divorced late in the year. (although special circumstances may apply) It does not matter how long you were single. It matters what your status is as of December 31st.*