

Claiming a Dependent Exemption for a Child in Foster Care

According to the Internal Revenue Service Publication 501, Exemptions, Standard Deduction and Filing Information, foster parents may be eligible to claim a Dependent Exemption for each child in foster care they care for during the tax year who is eligible to be considered a Qualifying Child. Certain tests apply.

This Keeping You Informed (KYI) bulletin provides some basic information concerning the IRS regulations. For full and detailed information, you should review IRS Publication 501 available at: <http://www.irs.gov/pub/irs-pdf/p501.pdf>.

What is a Qualifying Child?

A qualifying child is a child living in your home who meets the 5 Internal Revenue Service (IRS) tests/rules to be considered a qualifying child. The tests are:

1. **Relationship** (the child must have been placed in your home by the state or an approved agency for you to foster)
2. **Age** (the child must be under age 19 by the end of the tax year,

age 24 if a student or any age if permanently disabled)

3. **Residency** (the child must have lived with you for more than half of the year)

Note: The time period must be during the specific tax year between January 1 and December 31.

4. **Support** (the child cannot have provided more than half of his or her own support for the year)

Note: The foster care board rate you receive is considered support from the state - not from the child.

5. **Joint Return** (the child cannot file a joint return)

If all five of these tests are met, the child is considered to be a qualifying child.

What is a Dependent Exemption?

A dependent exemption is a specified amount used to reduce your adjusted gross income. You may be able to claim a dependent exemption for each qualifying child you claim as a dependent.

For the 2017 tax year, that amount is

\$4050.00 per exemption.

Note: Anyone who is not a U.S. citizen, resident alien, national or resident of Canada or Mexico cannot be considered a dependent.

Can I claim a dependent exemption for a child I have cared for even though the Division of Child Protection and Permanency (DCP&P) provided a board and clothing allowance payment?

Yes, you may still be able to claim the exemption. The IRS does not consider the board or clothing allowance payment as income received by you or the child. The board and clothing allowance payment are considered to be a reimbursement and support provided by the state and does not affect eligibility.

How do I know if I can take a dependent exemption for the child I've cared for?

As long as the child meets the qualifying child tests and they are a U.S. citizen, they are eligible to be claimed by you as a dependent.

If the tests are met, is there anything else I need in order to claim the exemption?

Yes, you must have a valid Social Security number for the child.

Special Note: Be aware that there is a possibility that the child's birth parents may also file a tax return claiming the child for a dependent exemption. If this should happen the exemption may be disallowed, and you will be notified by the IRS.



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If I receive a notice telling me that the exemption has been disallowed, what should I do?

The notice you receive will provide the reason why the exemption was disallowed and contact information to reach the IRS if you have questions concerning the notice.

Suggestion: Prior to contacting the IRS, you can obtain information that will support your claim. The information would be a verification from DCP&P indicating that the child was placed with you and remained in your home and care for over 6 months during the specific tax year.

Additional questions?

If you have specific questions regarding the Dependent Exemption and/or preparation of your income tax return, please contact the IRS at <https://www.irs.gov/> or 800.829.1040. You can also discuss the matter with a tax preparation expert.

FAFS does not employ tax experts and only provides general information. FAFS intends this information to be used for the purpose of awareness and does not suggest it be solely relied upon for income tax preparation decisions.

If you have any questions about **Claiming a Dependent Exemption for a Child in Foster Care**, please contact FAFS' Information Line at 800.222.0047, or visit us online at www.fafsonline.org.

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