

**Parents' Election To Report
Child's Interest and Dividends**

▶ See instructions on back.
▶ Attach to parents' Form 1040 or Form 1040NR.

Name(s) shown on your return

Your social security number

Caution: The Federal income tax on your child's income, including qualified dividends and capital gain distributions, may be less if you file a separate tax return for the child instead of making this election. This is because you cannot take certain tax benefits that your child could take on his or her own return. For details, see **Tax benefits you may not take** on page 2.

A Child's name (first, initial, and last)

B Child's social security number

c If more than one Form 8814 is attached, check here

Part I Child's Interest and Dividends To Report on Your Return

1a	Enter your child's taxable interest. If this amount is different from the amounts shown on the child's Forms 1099-INT and 1099-OID, see the instructions	1a		
b	Enter your child's tax-exempt interest. Do not include this amount on line 1a	1b		
2	Enter your child's ordinary dividends, including any Alaska Permanent Fund dividends. If your child received any ordinary dividends as a nominee, see the instructions	2		
3	Enter your child's capital gain distributions. If your child received any capital gain distributions as a nominee, see the instructions	3		
4	Add lines 1a, 2, and 3. If the total is \$1,600 or less, skip lines 5 and 6 and go to line 7. If the total is \$8,000 or more, do not file this form. Your child must file his or her own return to report the income	4		
5	Base amount	5	1,600	00
6	Subtract line 5 from line 4. See the instructions for where to report this amount. Go to line 7 below	6		

Part II Tax on the First \$1,600 of Child's Interest and Dividends

7	Amount not taxed	7	800	00
8	Subtract line 7 from line 4. If the result is zero or less, enter -0-	8		
9	Tax. Is the amount on line 8 less than \$800? <input type="checkbox"/> No. Enter \$80 here and see the Note below. <input type="checkbox"/> Yes. Multiply line 8 by 10% (.10). Enter the result here and see the Note below. } . . .	9		

Note: If you checked the box on line C above, see the instructions. Otherwise, include the amount from line 9 in the tax you enter on Form 1040, line 43, or Form 1040NR, line 40. Be sure to check box a on Form 1040, line 43, or Form 1040NR, line 40.

General Instructions

Purpose of form. Use this form if you elect to report your child's income on your return. If you do, your child will not have to file a return. You can make this election if your child meets all of the following conditions.

- The child was under age 14 at the end of 2004. A child born on January 1, 1991, is considered to be age 14 at the end of 2004.
- The child's only income was from interest and dividends, including capital gain distributions and Alaska Permanent Fund dividends.
- The child's gross income for 2004 was less than \$8,000.
- The child is required to file a 2004 return.
- There were no estimated tax payments for the child for 2004 (including any overpayment of tax from his or her 2003 return applied to 2004 estimated tax).
- There was no federal income tax withheld from the child's income. You must also qualify. See *Parents who qualify to make the election* below.

How to make the election. To make the election, complete and attach Form(s) 8814 to your tax return and file your return by the due date (including extensions). A separate Form 8814 must be filed for each child whose income you choose to report.

Parents who qualify to make the election. You qualify to make this election if you file Form 1040 or Form 1040NR and any of the following apply.

- You are filing a joint return for 2004 with the child's other parent.
- You and the child's other parent were married to each other but file separate returns for 2004 and you had the higher taxable income.
- You were unmarried, treated as unmarried for federal income tax purposes, or separated from the child's other parent by a divorce or separate maintenance decree. You must have had custody of your child for most of the year (you were the custodial parent). If you were the custodial parent and you remarried, you may make the election on a joint return with your new spouse. But if you and your new spouse do not file a joint return, you qualify to make the election only if you had higher taxable income than your new spouse.

Note. If you and the child's other parent were not married but lived together during the year with the child, you qualify to make the election only if you are the parent with the higher taxable income.

Tax benefits you may not take. If you elect to report your child's income on

your return, you may not take any of the following deductions that your child could take on his or her own return.

- Standard deduction of \$2,000 for a blind child.
- Penalty on early withdrawal of child's savings.
- Itemized deductions such as child's investment expenses or charitable contributions.

If your child received qualified dividends or capital gain distributions, you may pay up to \$40.00 more tax if you make this election instead of filing a separate tax return for the child. This is because the tax rate on the child's income between \$800 and \$1,600 is 10% if you make this election. However, if you file a separate return for the child, the tax rate may be as low as 5% because of the preferential tax rates for qualified dividends and capital gain distributions.

If any of the above apply to your child, first figure the tax on your child's income as if he or she is filing a return. Next, figure the tax as if you are electing to report your child's income on your return. Then, compare the methods to determine which results in the lower tax.

Alternative minimum tax. If your child received tax-exempt interest (or exempt-interest dividends paid by a regulated investment company) from certain private activity bonds, you must take this into account in determining if you owe the alternative minimum tax. See Form 6251, *Alternative Minimum Tax—Individuals*, and its instructions for details.

Investment interest expense. Your child's income (other than qualified dividends, Alaska Permanent Fund dividends, and capital gain distributions) that you report on your return is considered to be your investment income for purposes of figuring your investment interest expense deduction. If your child received qualified dividends, Alaska Permanent Fund dividends, or capital gain distributions, see Pub. 550, *Investment Income and Expenses*, to figure the amount you may treat as your investment income.

Foreign accounts and trusts. Complete Schedule B (Form 1040), Part III, for your child if he or she (a) had a foreign financial account or (b) received a distribution from, or was the grantor of, or transferor to, a foreign trust. If you answer "Yes" to either question, you must file this Schedule B with your return. Enter "Form 8814" next to line 7a or line 8, whichever applies. Also, complete line 7b if applicable.

Change of address. If your child filed a return for a previous year and the address shown on the last return filed is not your child's current address, be sure

to notify the IRS, in writing, of the new address. To do this, you may use Form 8822, *Change of Address*.

Additional information. See Pub. 929, *Tax Rules for Children and Dependents*, for more details.

Line Instructions

Name and social security number. If filing a joint return, include your spouse's name but enter the social security number of the person whose name is shown first on the return.

Line 1a. Enter all taxable interest income received by your child in 2004. If your child received a Form 1099-INT for tax-exempt interest, such as from municipal bonds, enter the amount and "Tax-exempt interest" on the dotted line next to line 1a. Do not include this interest in the total for line 1a but be sure to include it on line 1b.

If your child received, as a nominee, interest that actually belongs to another person, enter the amount and "ND" (for nominee distribution) on the dotted line next to line 1a. Do not include amounts received as a nominee in the total for line 1a.

If your child had accrued interest that was paid to the seller of a bond, amortizable bond premium (ABP) allowed as a reduction to interest income, or if any original issue discount (OID) is less than the amount shown on your child's Form 1099-OID, enter the nontaxable amount on the dotted line next to line 1a and "Accrued interest," "ABP adjustment," or "OID adjustment," whichever applies. Do not include any nontaxable amounts in the total for line 1a.

Line 1b. If your child received any tax-exempt interest income, such as from certain state and municipal bonds, report it on line 1b. Also, include any exempt-interest dividends your child received as a shareholder in a mutual fund or other regulated investment company.

Note. If line 1b includes tax-exempt interest or exempt-interest dividends paid by a regulated investment company from private activity bonds, see *Alternative minimum tax* on this page.

Line 2. Enter the ordinary dividends received by your child in 2004. Ordinary dividends should be shown in box 1a of Form 1099-DIV. Also, include ordinary dividends your child received through a partnership, an S corporation, or an estate or trust.

If your child received, as a nominee, ordinary dividends that actually belong to another person, enter the amount and "ND" on the dotted line next to line 2. Do not include amounts received as a nominee in the total for line 2.

(continued)

Line 3. Enter the capital gain distributions received by your child in 2004. Capital gain distributions should be shown in box 2a of Form 1099-DIV.

If your child received, as a nominee, capital gain distributions that actually belong to another person, enter the amount and "ND" on the dotted line next to line 3. Do not include amounts received as a nominee in the total for line 3.

Line 6. If qualified dividends are included in the amount on line 2 or if you entered an amount on line 3, use the worksheet below to figure the amount to enter on line 6 and the amount to add to your income as:

- Qualified dividends on Form 1040, lines 9a and 9b, or Form 1040NR, lines 10a and 10b, or
- Capital gain distributions on Schedule D, line 13 or, if you are not required to file Schedule D, on Form 1040, line 13, or Form 1040NR, line 14.

The worksheet is needed to divide the \$1,600 base amount on line 5 among your child's qualified dividends, capital gain distributions, and other interest and dividend income.

If any of the child's capital gain distributions were reported on Form 1099-DIV as unrecaptured section 1250 gain, section 1202 gain, or collectibles (28%) gain, see Pub. 929 for details on the amount to report on Schedule D.

If you checked the box on line C, add the amounts from line 6 of all your Forms 8814. Include this amount on Form 1040, line 21, or Form 1040NR, line 21, whichever applies. Be sure to enter "Form 8814" and the total of the line 6 amounts in the space next to line 21.

Line 9. If you checked the box on line C, add the amounts from line 9 of all your Forms 8814. Include the total on Form 1040, line 43, or Form 1040NR, line 40. Be sure to check box a on that line.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 26 min.; **Learning about the law or the form**, 11 min.; **Preparing the form**, 40 min.; and **Copying, assembling, and sending the form to the IRS**, 16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Child's Qualified Dividends and Capital Gain Distributions Worksheet—Line 6

(Keep for your records)

1. Enter the amount of qualified dividends included on Form 8814, line 2		1. _____
2. Enter the amount from Form 8814, line 3		2. _____
3. Enter the amount from Form 8814, line 4		3. _____
4. Divide line 1 by line 3. Enter the result as a decimal (rounded to at least three places)		4. _____
5. Divide line 2 by line 3. Enter the result as a decimal (rounded to at least three places)		5. _____
6. Base amount		6. _____ \$1,600
7. Subtract line 6 from line 3		7. _____
8. Multiply line 7 by line 4. Include this amount on Form 1040, lines 9a and 9b, or Form 1040NR, lines 10a and 10b. On the dotted lines next to those lines, enter "Form 8814" and this amount (unless you file Schedule B (Form 1040); in that case, follow the instructions in the Note on this line). Also, enter "QD" (for "qualified dividends") and this amount on the dotted line next to line 6 of Form 8814. Note. If this amount plus the parents' dividends is more than \$1,500, report this amount on Schedule B (Form 1040). Show it as from "Form 8814"		8. _____
9. Multiply line 7 by line 5. Include this amount on Schedule D, line 13; Form 1040, line 13; or Form 1040NR, line 14. Enter "Form 8814" and this amount on the dotted line next to line 13 of Schedule D or in the space to the left of line 13 of Form 1040 or line 14 of Form 1040NR. Also, enter "CGD" (for "capital gain distribution") and this amount on the dotted line next to line 6 of Form 8814.		9. _____
10. Add lines 8 and 9		10. _____
11. Subtract line 10 from line 7. Enter the result here and on Form 8814, line 6		11. _____