



DOES YOUR **CHILD** NEED TO **FILE A TAX RETURN?**

First, it should be noted that the age of your child is not a factor in determining whether or not they must file a tax return. Unlike Switzerland, the United States requires tax filings based on income rather than age. Second, even if your child does not have a tax filing requirement they may still be required to file an FBAR. Please see the FBAR filing requirements to determine whether your child needs to file.

1 | Your child is **NOT CLAIMED** as a dependent on someone's return

If your child is not being claimed as a dependent on your tax return and their gross income was above the applicable threshold for the tax year, they must file a tax return regardless of their age (see below for filing threshold).

Filing threshold chart when child is not a dependent: Tax year 2016

Marriage Status	Age at the end of 2016	Minimum Gross Income requirement
Single	Under 65	\$10,350
Married Filing Jointly	Under 65	\$20,700
Married Filing Separately	Any age (claiming itemized deductions)	\$4,050

2 | Your child is **CLAIMED** as a dependent on someone's return

If your child is being claimed as a dependent on your return and one of the following applies, your dependent child has a filing requirement (assuming the child is not blind).

TAX YEAR 2016:

- a| The child has unearned income of more than \$1,050.
Note: If filing is required by this test and the child has no income, other than the above unearned income, parents can avoid a separate filing for the child by making an election (limitations apply).
- b| The child has earned income of more than \$6,300.
- c| Total gross income is greater than the larger of \$1,050 or earned income (up to \$5,950) plus an adjustment amount of \$350.
- d| The child has self-employment net income of more than \$400.

Earned income is defined as money derived from paid work (wages, salaries, bonuses, tips, self-employment, long-term disability benefits or any other taxable employee pay).

Unearned income is anything not considered earned income (interest, dividends, capital gains, etc).

Filing threshold chart when child is a dependent: Tax year 2016

Marriage Status	Age at the end of 2016	Minimum Income requirement	Minimum Self-Employment Net Income requirement
Single	Under 65 AND NOT blind	More than \$6,300 earned or more than \$1,050 unearned	\$400
	Under 65 AND blind	More than \$7,850 earned or more than \$2,600 unearned	\$400
Married	Under 65 AND NOT blind	More than \$6,300 earned or more than \$1,050 unearned	\$400
	Under 65 AND blind	More than \$7,550 earned or more than \$2,300 unearned	\$400

If your dependent child is too young or unable to file a tax return on their own for any reason, you, as the parent, must file the return on the child's behalf.

Example 1:

Clara is claimed as a dependent on her parents' return. She is 14 years old and received \$1,970 of taxable interest in 2016. She must file a tax return because she has unearned income of more than \$1,050 during the year.

Example 2:

Patrick is claimed as a dependent on his parent's return. He is 16 year old and received \$500 in interest income and \$5,000 in earned income. His earned income is calculated as \$5,350 (\$5,000 + adjustment amount of \$350). Since his total gross income (interest + earned income) is \$5,500 which is greater than \$5,350, Patrick would file a tax return.

Caution: if your dependent child has to file a tax return due to the above rules, they **CANNOT** claim an exemption for themselves and should check a box on their own tax return to report that they can be claimed as a dependent on someone else's tax return.

3 | A word on the **Kiddie tax**

The kiddie tax might apply to your child whether or not you can claim them as a dependent on your return. The kiddie tax is levied on unearned income of children under 19 and full time students under 24 years old. For 2016, the first \$1,050 unearned income of your child will not be taxed. Unearned income between \$1,050 and \$2,100 is taxed at his or her rate. Unearned income in excess of \$2,100 is taxed at the parent's income tax rate which can make a significant difference in certain cases.

Please don't hesitate to contact us for a consultation, if you have any questions. Tel.: +41 (0)44 212 40 60
We are looking forward to hearing from you.