

## Income Tax Considerations

### Section A - Dependent's Exemption and Child Tax Credit

#### Section A.I – Dependent's Exemption

The Tax Cuts and Jobs Act Reform of 2017, S. 2254-115<sup>th</sup> Congress lowered the value of the federal personal exemptions to \$0 until 2025. The value of the Kansas personal exemption for 2023 is \$2250.

#### Section A.II – Federal Child Tax Credit and Dependent Credit

Federal income tax law allows a tax credit for parents with a dependent child under the age of 17 on the last day of the tax year. The credit in 2023 is \$2,000 for each qualifying child. The credit is only available for a child 16 or younger on the last day of the tax year in question. If the child turns 17 on or before December 31, no tax credit may be claimed as a dependent.

For the \$2,000 child tax credit, \$1,600 of the tax credit is refundable. The remaining \$400 is nonrefundable. If the parent claiming the child will have less than \$2,000 multiplied by the number of children claimed in the total income tax liability, this number will need to be adjusted by taking the total earned income, subtracting \$2,500, and then taking the difference times \$.15 (in other words, every dollar earned after \$2,500 generates \$.15 of tax credit up to the maximum refundable credit of \$1,600 per child). Families with earned income less than \$2500 per year are not eligible for the child tax credit. Each qualifying child must have a social security number.

The monthly value of the tax credit should be included in the income tax considerations adjustment.

For 2023, the monthly value of the tax credit is  $\$2,000 \div 12$  for each qualifying child, or \$83. The noncustodial parent's monthly child support should be decreased by the proportionate share of the combined income on Line D.2 of the child support worksheet (increased if the non-custodian claims the child as a dependent) in addition to any other income tax adjustment amounts.

### Section B – Head of Household Adjustment

If the custodial parent utilizes the standard deduction and files as head of household, a tax benefit results to the custodial parent that, absent custody of the child, might not otherwise be available. Such tax benefit received by the custodial parent can be measured by the difference in the standard deduction for head of household over the standard deduction for a single taxpayer multiplied by the applicable marginal federal and state income tax rates. Please note that the tax brackets for taxpayers filing as head of household differ than those for taxpayers filing as single or married filing jointly. In addition, the custodial parent is given an additional exemption at the Kansas level due to filing as a head of household. The benefit of the additional exemption is calculated by multiplying the custodial parent's marginal Kansas income tax rate by the Kansas exemption amount. The total of the standard deduction and additional exemption benefits should be divided by 12 to arrive at the monthly amount. If the court

decides it is appropriate to share the tax benefits of this deduction, the noncustodial parent's credit should not exceed his/her proportionate share of the combined income on Line D.2 of the child support worksheet.

*Example: A custodial parent has one minor child and has an adjusted gross income in 2023 of \$22,750 and assumes the custodial parent is in a 12% marginal federal income tax rate and a 5.25% marginal Kansas income tax rate. The difference in the Federal standard deduction for head of household over that for a single taxpayer is \$6,950 ( $\$20,800 - \$13,850 = \$6,950$ ). This difference multiplied by the custodial parent's federal marginal income tax rate of 12% results in an annual income tax benefit of \$834. The difference in the Kansas standard deduction for head of household over that for a single taxpayer is \$2,250 ( $\$5,500 - \$3,000 = \$2,250$ ). This difference multiplied by the custodial parent's marginal Kansas income tax rate of 5.25% results in a benefit of \$118, for a combined federal and Kansas standard deduction benefit of \$968. Because the custodial parent filed as head of household, that parent was allowed an additional Kansas exemption of \$2,250, for an income tax benefit of \$118 ( $\$2,250 \times 0.0525 = \$118$ ). The total income tax benefit for filing as head of household is thus \$1,086. The noncustodial parent's proportionate share of the combined income is 68% and this percentage should be applied to the head of household tax benefit ( $\$1,086 \times .68 = \$738$ ). This amount is divided by 12 to arrive at a monthly credit to the noncustodial parent of \$62.*

The combined benefits allowed for the dependent's exemption (Section A, if applicable) and head of household status (Section B) should be combined with any other pertinent income tax considerations and entered on Line E.3 as a negative adjustment for the noncustodial parent.

### Section C – Additional Information

The above listed guidelines reflect tax law for 2023. Amounts of exemptions, deductions, and credits, as well as tax law itself will change. Current tax law should be consulted for implementation of and relevance to these guidelines.

The following pages reflect current Federal and Kansas income tax factors. Additionally, a sample Tax Considerations Worksheet is included in this appendix.

Federal Standard Deduction Chart:

Single	\$13,850
Married Filing Jointly	\$27,700
Married Filing Separately	\$13,850
Head of Household	\$20,800

### Section D. Shared Residency

In situations where the parties have a shared residency parenting plan, they may elect to maximize income tax benefits as follows:

1. In the decree or order setting child support, the parties may stipulate that "for income tax purposes," one parent will be deemed to have the child(ren) one overnight more than the other parent each year and the parent with the additional overnight shall be entitled to claim the child for tax dependency and tax credit

purposes. The other parent shall receive an income tax consideration on Line E.2. An IRS Form 8332 should be executed to accomplish the assignment of the exemption and credit.

2. In the decree or order setting child support, the parties may stipulate that "for income tax purposes," that they will share or alternate claiming the child(ren) for income tax exemption and tax credit purposes, and each parent claiming the particular child(ren) shall be deemed to have those child(ren) one overnight more than the other parent each year. An IRS Form 8332 should be executed to accomplish the assignment of the exemption and credit.
3. In the decree or order setting child support, the parties may stipulate that "for income tax purposes," one parent shall be deemed to have provided more than 50% of support of the child(ren) and shall be entitled to claim head of household status each year, assuming they can qualify for such status under the IRS rules. The other parent shall receive an income tax consideration on Line E.2.
4. In the decree or order setting child support, the parties may stipulate that "for income tax purposes," one parent shall be deemed to have provided more than 50% of support for that particular child(ren) and shall alternate claiming head of household status, or if there is more than one child, each shall be entitled to claim head of household status, assuming they can qualify for such status under IRS rules.

