From the desk of
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Dependents and Exemptions

Depending upon your income personal income tax exemptions generally will lower your tax depending upon you're your income.

Types of Exemptions

There are two types of exemptions.

The first type is a personal tax exemption for yourself, and your spouse.

The second type is an exemption for a dependent.

The exemption amount for 2016 is $4,050 for each exemption you claim on your 2016 tax return.

Personal exemptions

Depending upon your income you usually can claim an exemption for yourself, subject to income limitations.

You are also allowed an exemption for your married spouse or domestic partner in some states if you file a joint return.

If you file a separate return, you can claim an exemption for your spouse only if your spouse:

- had no gross income,
- is not filing a tax return, and
- was not the dependent of another taxpayer.

Exemptions for dependents

Depending upon your income you can usually claim an exemption for each of your dependents.

A dependent is either your child or a relative who meets a set of tests including whether that dependent lived with you for the majority of the tax year, you provided more than half of their financial support including housing, and that dependent had not reached age 19, or 24 during the tax year if they were a student. Special rules apply to divorced parents.

A dependent is anyone who is:

- A child, stepchild, adopted child, eligible foster child, a descendant of such child;
- A brother, sister, stepbrother, stepsister, half-brother, or half-sister;
- A brother or sister of a taxpayers' parent (aunt or uncle), and any son or daughter of the taxpayers' brother or sister;
- A parent, grandparent, or other direct ancestor (not foster parents), as well as a step-parent through legal marriage;
- A son in law, daughter in law, father in law, mother in law, brother in law, sister in law;
- or any individual who for the entire year without breaks has the same principal residence as the taxpayer and was a member of the family. Absences for illness, school, vacation, or military service are allowed.

Once a relationship has been established, a relationship does not terminate due to divorce of death of a spouse.

You must list the Social Security number of each dependent you claim on your tax return.

You normally may not claim married persons as dependents if they file a joint return with their spouse.

There are some exceptions to this rule.

Report health care coverage

The Affordable Care Act (Obamacare) requires you to report certain health insurance information for you and your family. The individual shared responsibility provision requires you and each member of your family to either:

- Have qualifying health insurance, called minimum essential coverage, or
- Have an exemption from this coverage requirement, or
- Make a shared responsibility payment when you file your 2014 tax return.

Dependents may have to file

A person who you can claim as your dependent may have to file their own tax return depending upon certain factors such as the amount of their income, whether they are married and if they owe certain taxes.

No exemption on dependent's return

If you can claim a person as a dependent, that person cannot claim a personal exemption on his or her own tax return.

Exemption phase-out

The $4,050 deduction per exemption is subject to income limits. If you are deemed as a "Wealthy American" your ability to take any exemption(s) is phased out.

This rule will reduce or eliminate the amount you can claim based on the amount of your income.

"Wealthy Americans" are defined as those with Adjusted Gross Income (AGI) for tax year 2016 of:

- $259,400 for single individuals
- $311,300 for married individuals filing a joint tax return, and surviving spouses;
- $285,350 for Head of Household;
- $155, 650 for those filing married filing separate

Our emphasis at Muffoletto & Company is to provide you the proper guidance and understanding of the system so that you avoid taxes to the extent that the law allows.

Should you have questions relating to these matters, tax, financial, and accounting issues, give us a call at (818) 346-2160.

You can also visit us on the web at www.petemcpa.com!

We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service.
Should you have questions relating to any tax or financial matters, or if you know of someone that could benefit from our assistance feel free in calling us at (818) 346-2160, or you can visit us on the web at

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