

**From the desk of
Peter S. Muffoletto, C.P.A.**

Tax Rules for Children with Investment Income

Special tax rules apply to certain children with investment income.

These rules apply when a child's investment income exceeds \$2,000.00 annually.

The rules may affect the tax rate and the way that investment income is reported.

Investment income includes interest, dividends and capital gains.

Investment income also includes other unearned income, such as income received or attributable from a trust.

If a child's total interest and dividend income is less than \$10,000 a parent may be able to include the income their tax return rather than reporting the investment income separately on the child's tax return, thereby avoiding a filing for the child.

If that election is made the child does not file a return.

The election is made on **IRS Form 8814, Parents' Election to Report Child's Interest and Dividends**.

Children who have investment income above \$10,000 must file their own tax return.

Federal Form 8615, Tax for Certain Children Who Have Investment Income must be attached to their federal tax return which compares the tax rates paid by the parents, and that of the child. Generally the higher tax rate must be paid so that wealthier taxpayers in effect are not hiding their income on their children's tax return and thereby paying a lesser tax on that income by moving assets that produce income to other family members.

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 www.petemcpa.com!

Providing individuals, small businesses, corporations, partnerships, professionals, and other business entities with the necessary guidance and answers for a complex world.

IMPORTANT NOTICE

The contents of this email and any attachments to it may contain privileged and confidential information from Muffoletto & Company.

This information is only for the viewing or use of the intended recipient. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or use of, or the taking of any action in reliance upon, the information contained in this e-mail, or any of the attachments to this e-mail, is strictly prohibited and that this e-mail and all of the attachments to this e-mail, if any, must be immediately returned to Muffoletto & Company or destroyed and, in either case, this e-mail and all attachments to this e-mail must be immediately deleted from your computer without making any copies hereof.

If you have received this e-mail in error, please notify Muffoletto & Company by e-mail immediately.

To ensure compliance with Treasury Department regulations, we wish to inform you that, unless expressly stated otherwise in this communication (including any attachments) any tax advice that may be contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or applicable state or local tax law provisions or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

If you prefer not to remain on our email lists, please let us know. We will remove you as soon as you notify us.

You may do so by emailing us at

pete@petemcpa.com