

FYI – For Your Information

Filing on Unearned Income For a Minor Child

GENERAL INFORMATION

Parents of children with gross unearned income greater than \$700 but less than \$7,000 are given the option to report their child's income on their federal income tax return, Form 1040, by completing and attaching Form 8814 to the Form 1040. Form 8814 is for children under the age of 14 at the end of the tax year who received unearned income consisting of interest or dividends.

When this option to use the Form 8814 is chosen, the child's unearned income greater than \$700 but not greater than \$1,400 is not included in the parents' federal taxable income because it is not subject to the parents' marginal tax rate.

The proper way to handle this situation for Colorado income tax purposes is for the parents to include the missing income on the "other additions" line of their Colorado 104 Form. The explanation would be "unearned net taxable income of minor child." The amount to enter is the smaller of: a) \$700 or b) the total taxable interest and dividend income from form 8814 minus \$700 for each child for whom a Form 8814 is completed.

This directive does not apply when the child is filing his/her own income tax return.

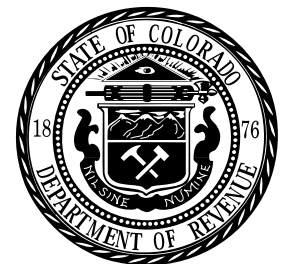
FURTHER INFORMATION

For more information on related topics, consult the following DOR publications:

- FYI General 1 "Department of Revenue Publications";
- FYI General 5 "General Information About Colorado State Taxes";
- FYI General 8 "The FYI Program - Index and General Information";
- FYI Income 20 "United States Government Interest."

Single FYIs are free from the Taxpayer Service Division. They may be obtained at any statewide taxpayer service center; or by writing to the Colorado Department of Revenue, 1375 Sherman St., Denver, CO 80261; or by calling the DOR Forms Hotline at (303) 232-2414. Please use the FYI number (General 1, Sales 9, etc..) when ordering FYI publications. FYIs and commonly used forms are available on the Internet at www.state.co.us under "Government" and "Department of Revenue."

For a complete set of FYIs (approximately 130, on sales, income, excise and withholding taxes), you may purchase *The Complete Book of FYIs* at low cost from the State Forms Center, Division of Correctional Industries, 4200 Garfield St., Denver, CO 80216. An order form is contained in FYI General 1, or call the State Forms Center, (303) 321-4164, for ordering information.



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Taxpayer Service Division
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Income Tax: (303) 232-2416
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