

Caution: DRAFT FORM

This is an advance proof copy of an IRS tax form. It is subject to change and OMB approval before it is officially released. You can check the scheduled release date on our web site (www.irs.gov).

If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

**Tax for Children Under Age 18
 With Investment Income of More Than \$1,700**
 ▶ Attach only to the child's Form 1040, Form 1040A, or Form 1040NR.
 ▶ See separate instructions.

Child's name shown on return _____ Child's social security number _____

Before you begin: If the child, the parent, or any of the parent's other children under age 18 must use the Schedule D Tax Worksheet or has income from farming or fishing, see **Pub. 929**, Tax Rules for Children and Dependents. It explains how to figure the child's tax using the **Schedule D Tax Worksheet** or **Schedule J** (Form 1040).

A Parent's name (first, initial, and last). **Caution:** See instructions before completing. _____ **B** Parent's social security number _____

C Parent's filing status (check one):
 Single Married filing jointly Married filing separately Head of household Qualifying widow(er)

Part I Child's Net Investment Income

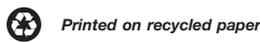
1	Enter the child's investment income (see instructions)	1	
2	If the child did not itemize deductions on Schedule A (Form 1040 or Form 1040NR), enter \$1,700. Otherwise, see instructions	2	
3	Subtract line 2 from line 1. If zero or less, stop ; do not complete the rest of this form but do attach it to the child's return	3	
4	Enter the child's taxable income from Form 1040, line 43; Form 1040A, line 27; or Form 1040NR, line 40	4	
5	Enter the smaller of line 3 or line 4. If zero, stop ; do not complete the rest of this form but do attach it to the child's return	5	

Part II Tentative Tax Based on the Tax Rate of the Parent

6	Enter the parent's taxable income from Form 1040, line 43; Form 1040A, line 27; Form 1040EZ, line 6; Form 1040NR, line 40; or Form 1040NR-EZ, line 14. If zero or less, enter -0-	6	
7	Enter the total, if any, from Forms 8615, line 5, of all other children of the parent named above. Do not include the amount from line 5 above	7	
8	Add lines 5, 6, and 7 (see instructions)	8	
9	Enter the tax on the amount on line 8 based on the parent's filing status above (see instructions). If the Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J (Form 1040) is used to figure the tax, check here <input type="checkbox"/>	9	
10	Enter the parent's tax from Form 1040, line 44; Form 1040A, line 28, minus any alternative minimum tax; Form 1040EZ, line 11; Form 1040NR, line 41; or Form 1040NR-EZ, line 15. Do not include any tax from Form 4972 or 8814 . If the Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J (Form 1040) was used to figure the tax, check here <input type="checkbox"/>	10	
11	Subtract line 10 from line 9 and enter the result. If line 7 is blank, also enter this amount on line 13 and go to Part III	11	
12a	Add lines 5 and 7	12a	
b	Divide line 5 by line 12a. Enter the result as a decimal (rounded to at least three places)	12b	× .
13	Multiply line 11 by line 12b	13	

Part III Child's Tax—If lines 4 and 5 above are the same, enter -0- on line 15 and go to line 16.

14	Subtract line 5 from line 4	14	
15	Enter the tax on the amount on line 14 based on the child's filing status (see instructions). If the Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J (Form 1040) is used to figure the tax, check here <input type="checkbox"/>	15	
16	Add lines 13 and 15	16	
17	Enter the tax on the amount on line 4 based on the child's filing status (see instructions). If the Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J (Form 1040) is used to figure the tax, check here <input type="checkbox"/>	17	
18	Enter the larger of line 16 or line 17 here and on the child's Form 1040, line 44; Form 1040A, line 28; or Form 1040NR, line 41	18	





Instructions for Form 8615

Tax for Children Under Age 14 With Investment Income of More Than \$1,600

General Instructions

Purpose of Form

For children under age 14, investment income over \$1,600 is taxed at the parent's rate if the parent's rate is higher than the child's. If the child's investment income is more than \$1,600, use Form 8615 to figure the child's tax.

Investment Income

For Form 8615, "investment income" includes all taxable income other than earned income as defined on this page. Investment income includes taxable interest, ordinary dividends, capital gains (including capital gain distributions), rents, royalties, etc. It also includes taxable social security benefits, pension and annuity income, and income (other than earned income) received as the beneficiary of a trust.

Who Must File

Form 8615 must be filed for any child who meets the following conditions.

- The child was under age 14 at the end of 2005. A child born on January 1, 1992, is considered to be age 14 at the end of 2005.
- At least one of the child's parents was alive at the end of 2005.
- The child had more than \$1,600 of investment income.
- The child is required to file a tax return.

TIP *The parent may be able to elect to report the child's interest, ordinary dividends, and capital gain distributions on the parent's return. If the parent makes this election, the child will not have to file a return or Form 8615. However, the federal income tax on the child's income, including qualified dividends and capital gain distributions, may be higher if this election is made. For more details, see Form 8814, Parents' Election To Report Child's Interest and Dividends.*

Additional Information

For more details, see Pub. 929, Tax Rules for Children and Dependents.

Incomplete Information for Parent or Other Children

If the parent's taxable income or filing status or the net investment income of the parent's other children is not known by the due date of the child's return, reasonable estimates can be used. Enter "Estimated" next to the appropriate line(s) of Form 8615. When the correct information is available, file Form 1040X, Amended U.S. Individual Income Tax Return.

Instead of using estimates, the child may be able to get an automatic 6-month extension of time to file. For details, see Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.

Amended Return

If after the child's return is filed the parent's taxable income changes or the net investment income of any of the parent's other children changes, the child's tax must be refigured using the adjusted amounts. If the child's tax changes, file Form 1040X to correct the child's tax.

Alternative Minimum Tax

A child whose tax is figured on Form 8615 may owe the alternative minimum tax. For details, see Form 6251, Alternative Minimum Tax—Individuals, and its instructions.

Line Instructions

Lines A and B

If the child's parents were married to each other and filed a joint return, enter the name and social security number (SSN) of the parent who is listed first on the joint return.

If the parents were married but filed separate returns, enter the name and SSN of the parent who had the higher

taxable income. If you do not know which parent had the higher taxable income, see Pub. 929.

If the parents were unmarried, treated as unmarried for federal income tax purposes, or separated by either a divorce or separate maintenance decree, enter the name and SSN of the parent with whom the child lived for most of the year (the custodial parent).

Exceptions. If the custodial parent remarried and filed a joint return with his or her new spouse, enter the name and SSN of the person listed first on the joint return, even if that person is not the child's parent. If the custodial parent and his or her new spouse filed separate returns, enter the name and SSN of the person with the higher taxable income, even if that person is not the child's parent.

If the parents were unmarried but lived together during the year with the child, enter the name and SSN of the parent who had the higher taxable income.

Line 1

If the child had no earned income (defined below), enter the child's adjusted gross income from Form 1040, line 38; Form 1040A, line 22; or Form 1040NR, line 36.

If the child had earned income, use the worksheet on page 2 to figure the amount to enter on line 1. But use Pub. 929 instead of the worksheet to figure the amount to enter on line 1 if the child:

- Files Form 2555 or 2555-EZ (relating to foreign earned income),
- Has a net loss from self-employment, or
- Claims a net operating loss deduction.

Earned income includes wages, tips, and other payments received for personal services performed. Generally, it is the total of the amounts reported on Form 1040, lines 7, 12, and 18; Form 1040A, line 7; or Form 1040NR, lines 8, 13, and 19.

Child's Investment Income Worksheet—Line 1
(keep for your records)



1. Enter the amount from the child's Form 1040, line 22; Form 1040A, line 15; or Form 1040NR, line 23, whichever applies _____
2. Enter the child's **earned income** (defined on page 1) plus any amount from the child's Form 1040, line 30, or Form 1040NR, line 29, whichever applies _____
3. Subtract line 2 from line 1. Enter the result here and on Form 8615, line 1 _____

Line 2

If the child itemized deductions, enter the larger of:

- \$1,600, or
- \$800 plus the portion of the amount on Schedule A (Form 1040), line 28 (or Form 1040NR, Schedule A, line 17), that is directly connected with the production of the investment income on Form 8615, line 1.

Line 6

If the parent filed a joint return, enter the taxable income shown on that return even if the parent's spouse is not the child's parent.

Line 8

Enter on this line the total of lines 5, 6, and 7. You must determine the amount of net capital gain and qualified dividends included on this line before completing line 9.

Net capital gain. Net capital gain is the smaller of the gain, if any, on Schedule D, line 15, or the gain, if any, on Schedule D, line 16. If Schedule D is not required, it is the amount on line 13 of Form 1040, line 10 of Form 1040A, or line 14 of Form 1040NR.

Qualified dividends. Qualified dividends are those dividends reported on line 9b of Form 1040 or Form 1040A or line 10b of Form 1040NR.

Net capital gain and qualified dividends on line 8. If neither the child, nor the parent, nor any other child has net capital gain, the net capital gain on line 8 is zero.

If neither the child, nor the parent, nor any other child has qualified dividends, the amount of qualified dividends on line 8 is zero.

If the child, parent, or any other child has net capital gain, figure the amount of net capital gain included on line 8 by adding together the net capital gain amounts included on lines 5, 6, and 7. If the child, parent, or any other child has qualified dividends, figure the amount of qualified dividends included on line 8 by adding together the qualified dividend amounts included on lines 5, 6, and 7. Use the following discussions to find these amounts.

Net capital gain or qualified dividends on line 5. If the child has a net capital gain or qualified dividends, use the appropriate Line 5 Worksheet on this page or page 3 to find the amount of each included on line 5.

These worksheets are needed to adjust the child's net capital gain and qualified dividends by the appropriate allocated amount of the child's deductions.

Line 5 Worksheet #1
(keep for your records)



Use this worksheet only if line 2 of the child's Form 8615 is \$1,600 and lines 3 and 5 are the same amount.

1. Enter the child's qualified dividends _____
2. Enter the child's net capital gain _____
3. Enter the amount from the child's Form 8615, line 1 _____
4. Divide line 1 by line 3. Enter the result as a decimal (rounded to at least three places). Do not enter more than 1.000 _____
5. Divide line 2 by line 3. Enter the result as a decimal (rounded to at least three places). Do not enter more than 1.000 _____
6. Multiply \$1,600 by line 4 _____
7. Multiply \$1,600 by line 5 _____
8. **Qualified dividends on Form 8615, line 5.** Subtract line 6 from line 1 (but do not enter less than zero or more than the amount on Form 8615, line 5) _____
9. **Net capital gain on Form 8615, line 5.** Subtract line 7 from line 2 (but do not enter less than zero or more than the excess of Form 8615, line 5, over line 8 of this worksheet) _____

Line 5 Worksheet #2
(keep for your records)



Use this worksheet only if line 2 of the child's Form 8615 is more than \$1,600 and lines 3 and 5 are the same amount.

1. Enter the child's qualified dividends _____
2. Enter the child's net capital gain _____
3. Add lines 1 and 2 _____
4. Divide line 1 by line 3. Enter the result as a decimal (rounded to at least three places) _____
5. Enter the child's itemized deductions directly connected with the production of the child's qualified dividends or net capital gain _____
6. Multiply line 4 by line 5 _____
7. Subtract line 6 from line 5 _____
8. Subtract line 7 from line 2 _____
9. Subtract line 6 from line 1 _____
10. Enter the amount from the child's Form 8615, line 1 _____
11. Divide line 1 by line 10. Enter the result as a decimal (rounded to at least three places). Do not enter more than 1.000 _____
12. Divide line 2 by line 10. Enter the result as a decimal (rounded to at least three places). Do not enter more than 1.000 minus the amount on line 11 _____
13. Multiply \$800 by line 11 _____
14. Multiply \$800 by line 12 _____
15. **Qualified dividends on Form 8615, line 5.** Subtract line 13 from line 9 (but do not enter less than zero or more than the amount on Form 8615, line 5) _____
16. **Net capital gain on Form 8615, line 5.** Subtract line 14 from line 8 (but do not enter less than zero or more than the excess of Form 8615, line 5, over line 15 of this worksheet) _____

Line 5 Worksheet #3
(keep for your records)



Use this worksheet only if the child's Form 8615, line 5, is less than line 3.

1. Enter the child's qualified dividends _____
2. Enter the child's net capital gain _____
3. Add lines 1 and 2 _____
4. Divide line 1 by line 3. Enter the result as a decimal (rounded to at least three places) _____
5. If the child itemized deductions, enter the child's itemized deductions directly connected with the production of the income on line 3 _____
6. Multiply line 4 by line 5 _____
7. Subtract line 6 from line 5 _____
8. Subtract line 7 from line 2 _____
9. Subtract line 6 from line 1 _____
10. If the child can claim his or her own exemption, enter \$3,200*. Otherwise, enter -0- _____
11. If the child itemized deductions, enter the child's itemized deductions not directly connected with the production of the income on line 3. Otherwise, enter the child's standard deduction _____
12. Add lines 10 and 11 _____
13. Enter the child's adjusted gross income (Form 1040, line 38; Form 1040A, line 22; or Form 1040NR, line 36) _____
14. Divide line 3 by line 13. Enter the result as a decimal (rounded to at least three places). Do not enter more than 1.000 _____
15. Multiply line 12 by line 14 _____
16. Multiply line 15 by line 4 _____
17. Subtract line 16 from line 15 _____
18. **Qualified dividends on Form 8615, line 5.** Subtract line 16 from line 9. Enter the result here (but do not enter less than zero or more than the amount on Form 8615, line 5) _____
19. **Net capital gain on Form 8615, line 5.** Subtract line 17 from line 8 (but do not enter less than zero or more than the excess of Form 8615, line 5, over line 18 of this worksheet) _____

* If you enter more than \$145,950 on line 13, see the *Deduction for Exemptions Worksheet* in the Form 1040, Form 1040A, or Form 1040NR instructions for the amount to enter on line 10.

Net capital gain or qualified dividends on line 6. If the parent has a net capital gain, its full amount is the net capital gain included on line 6. If the parent has qualified dividends, the full amount is the amount of qualified dividends included on line 6.

Net capital gain or qualified dividends on line 7. The net capital gain included on line 7 is the total of the amounts of net capital gain included on line 5 of the other children's Forms 8615. The qualified dividends included on line 7 is the total of the amounts of qualified dividends included on line 5 of the other children's Forms 8615. Find these amounts for each other child as explained under *Net capital gain or qualified dividends on line 5* beginning on page 2. (Do not attach the other children's Forms 8615 to the child's return.)

Line 9

Figure the tax using the Tax Table, Tax Computation Worksheet, Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J, whichever applies. Use the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040, 1040A, or 1040NR instructions to figure the tax if you do not have to use the Schedule D Tax Worksheet or Schedule J (see below) and any of the following apply.

- You received qualified dividends.
- You are filing Schedule D, and Schedule D, lines 15 and 16, are both more than zero.
- You do not have to file Schedule D and you received capital gain distributions.

Schedule J. If any farming or fishing income is included on line 8, the tax may be less if you use Schedule J. If Schedule J was used to figure the tax on the parent's return, see Pub. 929 for details on how to figure the tax.

Schedule D Tax Worksheet. If the child, parent, or another child has to file Schedule D and line 18 or 19 of any Schedule D is more than zero, use the Schedule D Tax Worksheet in the Instructions for Schedule D to figure the tax. See Pub. 929 for details on how to figure the line 9 tax using the Schedule D Tax Worksheet.

Using the Qualified Dividends and Capital Gain Tax Worksheet for line 9 tax. If you use the Qualified Dividends and Capital Gain Tax Worksheet to figure the line 9 tax, complete that worksheet as follows.

1. On line 1, enter the amount from Form 8615, line 8.
2. On line 2, enter the amount of qualified dividends included on Form 8615, line 8. (See the instructions for line 8.)
3. On line 3, enter the amount of the net capital gain included on Form 8615, line 8. (See the instructions for line 8.)
4. Complete line 4 following the worksheet instructions.

5. If you are completing the worksheet in the Form 1040 instructions, enter on line 5 the total of the amounts, if any, on line 4g of all Forms 4952 filed by the child, parent, or any other child.

6. Complete lines 6 through 19 (lines 5 through 17 of the worksheet in the Form 1040A or Form 1040NR instructions) following the worksheet instructions. Use the parent's filing status to complete lines 8, 16, and 18 (lines 6, 14, and 16 of the worksheet in the Form 1040A or Form 1040NR instructions).

Enter the amount from line 19 of the Qualified Dividends and Capital Gain Tax Worksheet (or line 17 of the worksheet in the Form 1040A or Form 1040NR instructions) on Form 8615, line 9, and check the box on that line. Do not attach this worksheet to the child's return.

Line 10

If the parent filed a joint return, enter the tax shown on that return even if the parent's spouse is not the child's parent.

Line 15

Figure the tax using the Tax Table, Tax Computation Worksheet, Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J, whichever applies. If line 14 includes any net capital gain or qualified dividends (see below), use the Qualified Dividends and Capital Gain Tax Worksheet to figure this tax. However, if the child has to file Schedule D and line 18 or line 19 of the child's Schedule D is more than zero, use the Schedule D Tax Worksheet to figure this tax instead. See Pub. 929 for details on how to figure the line 15 tax using the Schedule D Tax Worksheet.

Before using the Qualified Dividends and Capital Gain Tax Worksheet to figure the line 15 tax, you will need to know the amount of net capital gain and qualified dividends, if any, included on line 14.

Net capital gain and qualified dividends on line 14. If the child does not have any net capital gain or qualified dividends, line 14 does not include any net capital gain or qualified dividends.

If the child has net capital gain, the amount of net capital gain included on line 14 is the amount from line 2 of the child's completed Line 5 Worksheet minus the amount from the last line of that worksheet.

If the child has qualified dividends, the amount of qualified dividends

included on line 14 is the amount from line 1 of the child's completed Line 5 Worksheet minus the amount from the next to the last line of that worksheet.

Using the Qualified Dividends and Capital Gain Tax Worksheet for line 15 tax. If you use the Qualified Dividends and Capital Gain Tax Worksheet to figure the line 15 tax, complete that worksheet as follows.

1. On line 1, enter the amount from Form 8615, line 14.
2. On line 2, enter the amount of the qualified dividends included on Form 8615, line 14. (See *Net capital gain and qualified dividends on line 14* on page 3.)
3. On line 3, enter the amount of the net capital gain included on Form 8615, line 14. (See *Net capital gain and qualified dividends on line 14* on page 3.)
4. Complete line 4 following the worksheet instructions.
5. If you are completing the worksheet in the Form 1040 instructions, leave line 5 blank.
6. Complete lines 6 through 19 (lines 5 through 17 of the worksheet in the Form 1040A or Form 1040NR instructions) following the worksheet instructions. Use the child's filing status to complete lines 8, 16, and 18 of the worksheet for Form 1040 (lines 6, 14, and 16 of the worksheet for Form 1040A or Form 1040NR).

Enter the amount from line 19 of this Qualified Dividends and Capital Gain Tax Worksheet (line 17 of the worksheet in the Form 1040A or Form 1040NR instructions) on line 15 of Form 8615 and check the box on that line. Do not attach this worksheet to the child's return.

Using Schedule J for line 15 tax. If line 14 includes any farming or fishing income, the tax may be less if you use Schedule J. See Pub. 929 for details on how to figure the line 15 tax using Schedule J.

Line 17

Figure the tax using the Tax Table, Tax Computation Worksheet, Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, or Schedule J, whichever applies. If line 4 includes any qualified dividends or net capital gain, use the Qualified Dividends and Capital Gain Tax Worksheet to figure the tax unless the Schedule D Tax Worksheet has to be used instead. If any farming or fishing income is included on line 4, the tax may be less if you use Schedule J.

Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws

of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For the estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.
