



Divorce and Taxes: Dependents and Innocent Spouse Relief

Course #30053B

Taxes

2 Credit Hours

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DIVORCE AND TAXES: DEPENDENTS AND INNOCENT SPOUSE RELIEF

This course examines the tax implications of divorce, focusing on the ability to claim dependents and the child and dependent care tax credits. It also outlines the rules for determining which parent can claim a child and reviews the various forms of relief available to spouses and former spouses, such as innocent spouse relief. The course provides essential guidance for navigating tax responsibilities after divorce.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

Child and Dependent Care Expenses
Dependents of Divorced Parents
Innocent Spouse Relief

Study the course materials

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Identify the implications of divorce on the ability to claim child and dependent care tax credits.
- Identify how dependents can be claimed by divorced parents.
- Identify the various forms of relief that may be available to a spouse or former spouse.

NOTICE

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Program publication date **8/12/25**

EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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CHAPTER 1: CHILD AND DEPENDENT CARE EXPENSES

Chapter Objective

After completing this chapter, you should be able to:

- Identify the implications of divorce on the ability to claim child and dependent care tax credits.

When a couple is married and has dependents, such as minor children, they may be entitled to a tax credit for dependent care expenses. When the couple divorces, one or both parents may be entitled to certain tax credits. This chapter provides an overview of the child and dependent care tax credit and discusses the implications of divorce on its availability.

I. DEPENDENT CARE EXPENSES

A. GENERAL REQUIREMENT TO CLAIM CREDIT

To be able to claim the credit for child and dependent care expenses, a taxpayer – whether single, married or divorced – must file Form 1040, 1040-SR, or 1040-NR and meet all the following tests:

- The care must be for one or more “qualifying persons” who are identified on Form 2441;
- The taxpayer (and his or her spouse, if filing jointly) must have earned income during the year;
- The taxpayer must pay child and dependent care expenses so he or she (and his or her spouse if filing jointly) can work or look for work;
- The taxpayer must make payments for child and dependent care expenses to someone he or she (and his or her spouse) cannot claim as a dependent. If a taxpayer makes payments to his or her child (i.e., an older sibling), the child must not be the taxpayer’s dependent and must be age 19 or older by the end of the year in which the credit is claimed. A taxpayer may not make payments to his or her spouse or to the parent of the taxpayer’s qualifying person if the qualifying person is his or her child and under age 13;
- The taxpayer’s filing status may be single, head of household, or qualifying widow(er) with dependent child. A taxpayer must file a joint return if he or she is married, unless an exemption applies;
- The taxpayer must identify the care provider on his or her tax return; and

- If a taxpayer excludes or deducts dependent care benefits provided by a dependent care benefit plan, the total amount he or she excludes or deducts must be less than the dollar limit for qualifying expenses (generally, for 2025, \$3,000 if one qualifying person was cared for, or \$6,000 if two or more qualifying persons were cared for). If two or more qualifying persons were cared for, the amount a taxpayer can exclude or deduct will always be less than the dollar limit, since the total amount that can be excluded or deducted is limited to \$5,000.

B. QUALIFYING PERSON TEST

To be eligible for the tax credit, an individual's child and dependent care expenses must be for the care of one or more qualifying persons pursuant to Internal Revenue Code § 152 (the text of which and implementing Treasury Regulations are provided below). A qualifying person is:

- A taxpayer's child who is his or her dependent and who was under age 13 when the care was provided;
- A taxpayer's spouse who was not physically or mentally able to care for himself or herself and lived with the taxpayer for more than half the year; or
- A person who was not physically or mentally able to care for himself or herself, lived with the taxpayer for more than half of the year, and either:
 - Was the taxpayer's dependent; or
 - Would have been the taxpayer's dependent except that:
 - He or she received gross income of \$5,200 or more;
 - He or she filed a joint return; or
 - The taxpayer, or his or her spouse if filing jointly, could be claimed as a dependent on someone else's 2025 return.

For taxpayers who are divorced or separated, the section below will explain which parent may treat a child as a qualifying person.

1. Dependent Defined

A dependent is a person, other than a taxpayer or his or her spouse, who he or she can claim on his or her tax return. To be another person's dependent, a person must be a qualifying child (or qualifying relative). However, the deductions for personal and dependency exemptions for tax years 2018 through 2025 are suspended, and therefore, the amount of the deduction is zero. But in determining whether you may claim a person as a qualifying relative for 2025, the person's gross income must be less than \$5,200, not zero. To be a taxpayer's qualifying child, a child must live with that person for more than half the year and meet other requirements discussed below.

Note



The OBBBA permanently eliminates the deduction for personal and dependent exemptions. There is a temporary exception for certain senior taxpayers (those 65 and older) allowing them to take a \$6,000 personal exemption deduction from 2025 to 2028. This deduction phases out for single filers with a MAGI over \$75,000 and for married couples with a MAGI over \$150,000.

To offset the elimination of personal exemptions, the OBBBA makes permanent the larger standard deduction originally implemented by the TCJA and further increases it.

2. Physically or Mentally Not Able to Care for Oneself

Persons who cannot dress, clean, or feed themselves because of physical or mental problems are considered not able to care for themselves. Also, persons who must have constant attention to prevent them from injuring themselves or others are considered not able to care for themselves.

3. Person Qualifying for Part of Year

A taxpayer must determine a person's qualifying status each day. For example, if the person for whom he or she pays child and dependent care expenses no longer qualifies on September 16, count only those expenses through September 15.

4. Taxpayer Identification Number

A taxpayer must include on his or her return the name and taxpayer identification number (generally the social security number) of the qualifying person(s). If the correct information is not shown, the credit may be reduced or disallowed. If the qualifying person is a nonresident or resident alien who does not have and cannot get a social security number (SSN), a taxpayer should use that person's individual taxpayer identification number (ITIN). The ITIN is entered wherever an SSN is requested on a tax return. Note that an ITIN is for tax use only. It does not entitle the holder to social security benefits or change the holder's employment or immigration status under U.S. law.

C. CHILDREN OF DIVORCED OR SEPARATED PARENTS

Even if a taxpayer cannot claim his or her child as a dependent, the child is treated as the taxpayer's qualifying person if:

- The child was under age 13 or was not physically or mentally able to care for himself or herself;
- The child received over half of his or her support during the calendar year from one or both parents who are divorced or legally separated under a decree of divorce or separate maintenance, are separated under a written separation agreement, or lived apart at all times during the last six months of the calendar year;