

Run Case With Each Parent Claiming Child Dependency Exemp to Show Who Saves More Tax

TAX SAVINGS FROM CHILD DEPENDENCY EXEMPTION

Last Name: Jones	2008	
	<u>John</u>	<u>Mary</u>
1 No. Child Dependency Exemptions Age 17 & Over	0	0
2 No. Child Dependency Exemptions Under Age 17	1	1
3 Taxes Saved by Claiming Children		
Federal Tax	\$969	\$525
State Tax	60	60
4 Federal + State Tax Savings Dependency Exemption	\$1,029	\$585
5 Tax Savings Under Age 17 Child Tax Credit	200	1,000
6 Total Tax Savings from Both	\$1,229	\$1,585

DETAILED FEDERAL COMPUTATION

7 Maximum Allowed Personal Exemption Amount	\$3,500	\$3,500
8 Maximum Allowed for No. of Children	3,500	3,500
9 Filing Status	Single	Hd Hsld
10 Threshold Amount for High Income Phaseout	\$159,950	\$199,950
11 Federal Adjusted Gross Income	\$90,941	\$40,852
12 Excess over Threshold	0	0
13 % Reduction = (2% for each \$2,500 of line 12 \$1,250 for Mar, Sep) - for 2008 2/3 of reduction is eliminated	0.00%	0.00%
14 High Income Phaseout Reduction (line 8 * line 13) (reflects elimination of 2/3 of high income reduction in 2008 - no reduction for high income after 2009)	0	0
15 Max Reduction in Federal Taxable Income from Child Dependency Exemption Including High Income Phaseout Amount (line 8 less line 14)	3,500	3,500

FEDERAL TAX SAVINGS FROM CHILD DEPENDENCY EXEMPTION

16 Taxable Income Before Child Dependency Exemption (Excl Dividends & Capital Gains)	\$81,991	\$29,352
17 Marginal Tax Rate for this Income Level	28.0%	15.0%
18 Next Lower Tax Bracket Amount	78,850	11,450
19 Tax Rate for Lower Bracket (if needed)	25.0%	10.0%
20 Federal Tax Savings from Child Dependency Exemption (Line 15 allocated between tax brackets using actual rates - low income also reflects use of child care & education credits)	\$969	\$525

STATE INCOME TAX SAVINGS FROM CHILD DEP EXEMPTION

(If itemized deductions are used in federal tax calc, state tax savings shown have been reduced by marginal federal tax %)	\$60	\$60
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