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YEAR-ROUND TAX STRATEGIES

2003

David S. De Jong, Esq., CPA, &
Ann Gray Jakabcin, Esq.

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For more than 50 years, the J.K. Lasser Tax Institute has specialized in writing tax and business publications for both nonprofessionals and professionals. The Institute is an editorial organization composed of tax attorneys, accountants, financial analysts, and writers—all experienced in presenting complicated tax, investment, and business material to the public and to professionals in related fields. J.K. Lasser's best-selling annual guide, *Your Income Tax*, has helped more than 25 million taxpayers reduce their taxes and make informed financial decisions.

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Summary of Year-End Tax Strategies

Tax planning is a year-round concern. However, it is a fact that most Americans neglect their tax planning until late in the year. As you will see, this can cost you in lost opportunities to save tax dollars. Still, you can make certain moves during the last few months of the year to save money. In fact, you can take steps right up to December 31 (or even up to April 15) that may save you hundreds of dollars in taxes.

J. K. Lasser's™ Year-Round Tax Strategies 2003 tells you about special tax strategies that you can use to cut your tax bill and increase your personal wealth. You may be facing a specific tax problem right now. The following table lists various year-end tax problems and possible steps you can take to cut your tax bill:

PROBLEM	POSSIBLE SOLUTION	EXPLAINED IN
You support someone but do not claim the person as a dependent.	Provide additional support for possible dependent.	Chapter 1
You face a penalty for not having paid enough taxes during the year.	Increase your income tax withholding to avoid penalty.	Chapter 1
You have homes in two states and want to pay as little in state taxes as possible.	Watch time spent in the two states if you have more than one home and you seek to claim residence in the state with the lower tax rates.	Chapter 1
You face payment of an alternative minimum tax.	Preference items may be delayed to reduce tax.	Chapter 1

PROBLEM	POSSIBLE SOLUTION	EXPLAINED IN
You face a high tax bill; you want to defer taxes to a later year.	Minimize December collections of income accounts.	Chapter 1
	Purchase a CD maturing next year; sell assets on an installment basis.	Chapter 2
	Use deferred compensation arrangement to postpone receipt of salary.	Chapter 2
	Prepay next year's courses beginning before April 1 for an educational tax credit or deduction in the earlier year.	Chapter 3
	Use an escrow to delay closing until conditions are satisfied.	Chapter 5
You have passive losses, but cannot use them because you do not have passive income.	Increase hours devoted to an activity to cause "material participation" against which to use them.	Chapter 2
You are in a higher-than-average tax bracket this year (or will be next year).	Consider timing of election of stock options.	Chapter 2
	Determine whether stock, real estate, and other transactions should be closed in current year or next year.	Chapter 4
Your income is low, and you may not be able to use the full child credit.	Accelerate income to the extent needed and possible.	Chapter 3
You need to boost your itemized deductions.	Accelerate the payment of medical bills.	Chapter 4
	Make all planned cash charitable contributions.	Chapter 4
	Donate used clothes and other property to a charity.	Chapter 4
	Pay unescrowed property taxes.	Chapter 4
	Pay educational expenses for the upcoming term if the courses will be deductible by you.	Chapter 4
	Pay all anticipated state tax liability by December 31.	Chapter 4
	Close on your new home to get deduction for points.	Chapter 4

PROBLEM	POSSIBLE SOLUTION	EXPLAINED IN
	Make next payment on mortgages and other obligations that bear interest.	Chapter 4
	Pay professional and investment expenses if they will be deductible to you.	Chapter 4
You have capital gains you want to shelter.	Sell securities at a loss (or at a gain if you would otherwise have unused capital losses).	Chapter 5
You want to buy mutual fund shares but are concerned about capital gains.	Avoid purchase of shares before a distribution, which is often in December.	Chapter 5
You want to sell securities, but you want to delay taxes.	Buy a "put" to protect your position.	Chapter 5
You have securities that are possibly worthless.	Sell the instrument for a small amount.	Chapter 5
You own a vacation home.	Increase or decrease use of vacation home for best tax results.	Chapter 6
You have rental property income that you want to shelter.	Pay all bills related to rental properties and consider needed repairs unless you will have unusable losses.	Chapter 6
	Demonstrate active participation in rental property management and limit AGI.	Chapter 6
You are planning to get married.	Accelerate marriage if it will reduce taxes.	Chapter 8
You are planning to get divorced.	Attempt to finalize divorce or legal separation if taxes will be lower filing as unmarried.	Chapter 8
You are obligated to pay alimony to your ex-spouse.	Make year-end alimony payment.	Chapter 8
You need to shelter income.	Set up qualified retirement plan or SEP for your business (the latter until extended due date of return in the following year).	Chapter 9
	Open up IRA (until April 15 of following year).	Chapter 9
	Make elective deferrals to your employer's 401(k) or Simple plan.	Chapter 9

PROBLEM	POSSIBLE SOLUTION	EXPLAINED IN
You are considering purchasing equipment for your business.	Make needed capital expenditures for your business assets.	Chapter 10
You fear that a business activity may be deemed a hobby.	Delay payment of bills to create a profit (if a cash basis taxpayer).	Chapter 10
You expect to sell your residence next year.	Discontinue business or rental use of any portion of home.	Chapter 10
You want to shift income to other relatives.	Consider gifts of up to $11,000 to any family member.	Chapter 12

CHAPTER 1

Introduction to Personal Tax Planning

Paying Tax May Be Inevitable—Paying Too Much Is Not

The word **tax** is derived from the Latin *tangere*; it means "to touch." Taxes touch us all as one of the absolute certainties in life.

Studies indicate that you, as the typical American, work until April 27 to pay your taxes for the year and then you work for yourself. The average Connecticut resident feels the greatest tax burden, needing to work until May 14 to cover taxes. Despite the universal tax burden, numerous tax strategies remain for satisfying your tax obligation before April Fools' Day.

Changes to the Tax Law Are Also Inevitable

Louis XIV's finance minister once stated that "the art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least amount of hissing." In the last four decades, the way in which the goose is plucked has changed almost annually. Hardly a year or two has passed since 1954 without tax law changes for one or more of these purported reasons:

- Tax reduction
- Budget reconciliation
- Equity
- Revenue enhancement
- Tax simplification

- Economic recovery
- Fairness
- Economic growth
- Restructuring and reform

The year 1996 was particularly busy, with four important laws enacted only days apart, each with significant tax changes. Even before the ink had dried on these changes, the Taxpayer Relief Act of 1997 caused the largest overhaul of the Internal Revenue Code since 1986. One year later, numerous technical changes to the 1997 legislation were coupled with large numbers of procedural changes. Although major tax legislation in 1999 and 2000 was vetoed by President Clinton as being too costly, the Economic Growth and Tax Relief Reconciliation Act of 2001 slashed personal taxes. The Job Creation and Worker Assistance Act of 2002 was designed to stimulate recovery from the September 11, 2001 terrorist attacks.

The law becomes more complicated with each new tax change. The Internal Revenue Code has grown from just more than 400,000 words in 1954 to about 1.4 million words today and is now 500,000 words longer than the Bible. Regulations, which express the Internal Revenue Service's position on how the Code should be interpreted, run about 8 million words.

Individual tax compliance alone requires an estimated $140 billion annually. Then the IRS requires almost 100,000 employees to be sure that everyone has filed and has reported accurately.

The annual "patchwork" to the Internal Revenue Code can be expected to continue in part because all provisions contained in the 2001 tax legislation will expire at the end of 2010 in the absence of new legislation.

Sunrise Sunset

Among tax legislation, the 2001 Act was unique because of its "sunset" language. All of its income tax provisions automatically expire on December 31, 2010. All of its retirement plan provisions automatically expire for plan years beginning after that date. All estate, gift, and generation-skipping tax provisions automatically expire for deaths and other transfers after that date.

At sunset, the law as existed in 2001 will be restored. Tax rates will go back up; deductions and tax credits will be lost; and retirement plan contribution limits will be slashed. Most significantly, the federal estate tax, scheduled to be abolished at the start of 2010 (see Chapter 12, "Estate Planning Strategies") will be reinstated.

Will this really happen? Certainly not, but succeeding Congresses and administrations will need to contend with which provisions of the 2001 Act will live and which provisions will die. Some provisions, such as the scheduled repeal of the federal estate tax, may be killed off before sunrise.

Although your year-round income tax strategies will typically look ahead only a few years (these 2010 sunset provisions are not specifically referenced), your year-round estate planning strategies will look far into the future (these 2010 sunset provisions are specifically referenced). Unfortunately, the cloud cover may remain until shortly before sunset.

The Basic Tax Structure for Individuals—From Gross Income to Tax Liability

Computation of your tax liability begins with an accounting of your gross income, which essentially constitutes your earnings and your gains. (Income and benefits constituting earnings are discussed in Chapter 2, "Taxable and Tax-Free Income and Benefits"; gains are discussed in Chapter 5, "Gains and Losses.")

From your gross income, certain expenses are deductible if you are eligible, irrespective of whether you itemize. These expenses include, most importantly:

- Alimony paid (discussed in Chapter 8, "Marriage and Divorce")
- Contributions to an individual retirement account (IRA), simplified employee pension plan (SEP), Keogh plan, or Simple plan (discussed in Chapter 9, "Retirement Plans")
- Health insurance costs paid by a sole proprietor, partner, limited-liability company member, or more than 2 percent S corporation shareholder not eligible to participate in a health insurance plan (discussed in Chapter 3, "Deductions and Credits—For Itemizers and Nonitemizers")
- Contributions to an Archer Medical Savings Account (MSA) scheduled to expire after 2003 (discussed in Chapter 3)
- Certain education expenses including some student loan interest (discussed in Chapter 3)
- Limited types of moving expenses (discussed in Chapter 3)
- One-half of the self-employment tax paid by a sole proprietor or partner
- Penalties imposed by financial institutions on early withdrawal of savings

When these deductions are subtracted from gross income, the difference is your adjusted gross income (AGI). Many deductions are lost under the law if your AGI is too high. This would seemingly necessitate knowing your AGI to determine your AGI. However, to avoid the need for a degree in higher mathematics to solve this circular problem, the phaseout of deductions is actually based on modified adjusted gross income—which is AGI before computing certain deductions dependent on AGI and, in some contexts, after adding the exclusion for income earned abroad (see Chapter 11, "Special Groups of Taxpayers"). Consequently, modified AGI has a slightly different definition in each context.

From AGI, you subtract itemized deductions (discussed in Chapter 4, "Deductions—For Itemizers Only") or the standard deduction as well as personal exemptions to determine taxable income. Six marginal tax rates are then applied to levels of taxable income to determine your federal tax liability.

Credits reduce your tax liability dollar for dollar, including most importantly:

- The Child Credit (discussed in Chapter 3)
- The Adoption Expense Credit (discussed in Chapter 3)
- The Dependent Care Credit (discussed in Chapter 3)
- The Earned Income Credit (discussed in Chapter 3)
- The Hope Scholarship Credit and the Lifetime Learning Credit (discussed in Chapter 3)
- The Credit for the Elderly or Disabled (discussed in Chapters 3 and 11)
- The Employee Credit for Retirement Plan Contributions (discussed in Chapter 9)
- The Foreign Tax Credit (discussed in Chapter 11)

Itemized Deductions versus the Standard Deduction

AGI is reduced by itemized deductions or the standard deduction. About 33 percent of individual filers itemize; however, a recent survey by the General Accounting Office found that at least 948,000 individual filers and perhaps as many as 2,157,000 who claimed the standard deduction would have saved by itemizing.

Itemized deductions are write-offs for certain medical expenses, taxes, interest, charitable contributions, casualty and theft losses, as well as job expenses and other miscellaneous itemized deductions. In lieu of claiming itemized deductions, an individual generally can use the standard deduction, which is a set dollar amount and varies with filing status. However, a nonresident alien, as well as a married individual filing separately whose spouse itemizes, cannot use the standard deduction and must itemize.

For 2002, prior to indexing in 2003 for cost of living, the standard deduction amounts are:

Filing Status	Standard Deduction
Married filing jointly	$7,850
Married filing separately	$3,925
Single	$4,700
Head of household	$6,900

The standard deduction for married couples filing jointly will not only be indexed, but also will be increased beginning in 2005. By 2009, it will be twice that of single individuals. The standard deduction for a married individual filing separately then will be the same as that of single individuals.

If you are single or file as head of household, the standard deduction is increased by $1,150 if you are 65 years old or blind ($2,300 if you are both age 65 and blind). If you are married, the standard deduction is increased in multiples of $900 to a maximum standard deduction of $11,450, reflecting additional allowances for either or both spouses being over age 65, blind, or both. These increases are subject to indexing in 2003 and later years.

To receive the extra standard deduction, an individual need not be totally blind. For tax purposes, a taxpayer is blind if vision in the better eye does not exceed 20/200 with glasses or if the diameter of the visual field "subtends an angle no greater than 20 degrees."

See the discussion later in this chapter on the "Kiddie" Tax for a special limited standard deduction in the case of an individual who can be claimed as a dependent on another's return.

Individuals with AGI in excess of $137,300 ($68,650 for married individuals filing separately) must reduce the total of their itemized deductions except for medical expenses, casualty, theft, gambling losses (see the restrictions in Chapter 11), and investment interest. The reduction in otherwise allowable itemized deductions is an amount equal to 3 percent of AGI in excess of the threshold amount. However, the itemized deductions subject to the adjustment cannot be reduced by more than 80 percent. The threshold amounts will be indexed for inflation in 2003 and succeeding years. During the phaseout levels, the reduction in itemized deductions for 2003 generally will increase the true marginal tax bracket of affected individuals by between 0.90 and 1.16 percent depending on the tax bracket. The phaseout applied to about 6 million individuals in 2000. It is scheduled to be eliminated between 2006 and 2010.

Caution

H.R. 4626, passed by the House on May 21, 2002, if enacted, would accelerate to 2003 an increased standard deduction for married couples filing jointly.

Filing Pointer

If your itemized deductions barely exceed the amount of the standard deduction, you need to consider the effect on state taxes before itemizing. In some states, you must itemize on the state return if you itemize on your federal return. Because state income taxes are not deductible on most state returns, you can have state itemized deductions far less than the state standard deduction when state income taxes constitute your largest federal itemized deduction. The result could be that itemizing on your federal return causes you to pay more to the state than you save with the IRS.

Question: I feel deprived. Each year I fall short of being able to itemize deductions by a few hundred dollars. What can I do to save taxes?

Answer: Attempt to bunch deductions into alternating years. To the extent you can, time your payments of such deductible expenditures as charitable contributions, property taxes, and state income taxes (if you pay estimates) to double up every other calendar year. Then you will be able to itemize once every two years and claim the standard deduction in the other years.

Maximizing Your Personal Exemptions

The final computation needed to determine taxable income is the subtraction of your personal exemptions. The amount of the deduction for each personal exemption, $3,000 in 2002 except for high-income individuals, will be adjusted annually for increases in the cost of living. You are entitled to claim a deduction for your own personal exemption unless you are claimed as a dependent on another's tax return. Consequently, children cannot claim deductions for a personal exemption on their returns when being claimed as dependents on the tax return of a parent.

In addition to your own personal exemption, you are entitled to claim a personal exemption deduction for your spouse if a joint return is filed. If you are married but file a separate return, you can claim a personal exemption for your spouse only if the spouse has no gross income and is not claimed as a dependent on someone else's return.

Additional exemptions are also available for certain dependents. To qualify for the dependency deduction, these requirements must be met:

- The dependent must have one of the following relationships to the taxpayer: child or stepchild; grandchild; parent or stepparent; grandparent; sibling or stepsibling; mother/father-in-law; brother/sister-in-law; son/daughter-in-law; or uncle, aunt, nephew, or niece related by blood. In

addition, any other individual who is a member of the taxpayer's household for the entire year will qualify unless the living arrangement is in violation of local law.

- The dependent must have less than the exemption deduction amount of $3,000 (increased in 2003 for cost of living) of gross income or be the taxpayer's child who has not attained the age of 19 or is a full-time student under age 24.
- The dependent must receive more than one-half of his or her support from the taxpayer.
- The dependent must be a U.S. citizen or resident or a resident of Canada or Mexico.
- If the dependent is married, the dependent may not file a joint return with a spouse except for the purpose of getting a tax refund.

If a dependent was born during the year, died during the year, or was born alive but died shortly thereafter, the dependency deduction is available.

The benefit of each personal exemption is phased out based on levels of AGI. In 2002 the phaseout commenced at $206,000 of AGI for married individuals filing jointly, $171,650 for heads of household, $137,300 for single individuals, and $103,000 for married individuals filing separately. Each exemption will be reduced by 2 percent (4 percent in the case of married individuals filing separately) for each $2,500 or fraction by which AGI exceeds the threshold amount. Consequently, the benefit of all personal exemptions will be lost when AGI exceeds $328,500 in the case of married individuals filing jointly, $294,150 in the case of heads of household, $259,800 in the case of single individuals, and $163,000 in the case of married individuals filing separately. During this phaseout, the loss of exemptions for 2003 generally will increase the marginal tax bracket of most affected individuals by between 0.70 and 0.90 percent (double for married individuals filing separately) for each exemption claimed. Thresholds will be indexed for inflation in 2003 and succeeding years. The phaseout is scheduled to be eliminated between 2006 and 2010.

For purposes of satisfying the gross income test, only income that is taxable by the federal government is taken into account. Consequently, nontaxable Social Security benefits and tax exempt interest, for example, are not considered in determining whether the dependent exceeds the $3,000 gross income ceiling.

The most difficult issue usually associated with dependency deductions is whether a taxpayer provided more than one-half of the support of the proposed dependent. Consider the means of support for the potential dependent both from the dependent's sources as well as from those of other parties—who spent what for the support of this individual?

"Support" is interpreted broadly and includes such expenditures as food, clothing, lodging, education, and medical care. Lodging is based on the prop-

erty's fair rental value. If a dependent lives in the dependent's own home and the taxpayer seeking the exemption does not live with the dependent, the rental value of the home is deemed contributed by the dependent for his or her own support. If the taxpayer pays part of the expenses of the home (such as mortgage interest, taxes, fire insurance premiums, or repairs), the fair rental value is reduced by the taxpayer's payments in determining the dependent's contribution.

Most sources of support, including items that are exempt from tax (if actually used for support), are counted in determining whether the support test has been met. Consequently, even though nontaxable Social Security benefits and tax exempt interest do not count toward the gross income test, they will be counted in determining whether the support test has been met.

Illustration

You provide $3,000 in cash for your father's support during the year. He lives in his own house, which has a fair rental value of $3,600 a year. He uses $800 of the money you give him to pay real estate taxes. Your father's contribution for his own lodging is $2,800 ($3,600 – $800 for taxes). Thus, if the lodging and the $3,000 in cash were the only support items involved for that tax year, you would be able to claim your father as a dependent as long as he satisfied the other dependency requirements, such as the gross income test.

Children can be claimed as dependents regardless of their gross income if they are under the age of 19 (or are under the age of 24 and enrolled as full-time students for at least five months of the year) and receive more than half of their support from their parents. In calculating the support provided to a child, nontaxable scholarships are not taken into account.

When a majority of an individual's support is from public assistance, no one can claim the individual as a dependent (not even that person).

When several family members collectively provide majority support of an individual by each contributing more than 10 percent of the support, but no one person contributes more than one-half of the support, the contributors can enter into a Multiple Support Agreement, in which all but one of the contributors waive the right to claim the individual in question as a dependent. The contributor who will be claiming the individual as a dependent should obtain signed IRS Forms 2120 from each of the other contributors of more than 10 percent. The agreement may be changed annually to allow each contributor a year in which to claim the dependency allowance.

Each dependent's Social Security number must appear on your tax return. The IRS uses this information to determine whether multiple individuals, such

as both divorced parents, are claiming the same person as a dependent. The IRS has the authority to disallow a dependent personal exemption by summary procedure—without a statutory notice of deficiency (discussed in Chapter 13, "Dealing with the Internal Revenue Service")—when the proper Social Security number is not shown.

The IRS believed that, prior to requiring the listing of Social Security numbers on returns, one in seven purported dependents was improperly claimed. The first year the requirement went into effect, 9 percent fewer individuals (7 million in number)—and probably 100 percent fewer household pets—were claimed as dependents. Nevertheless, the IRS continues to believe that millions of erroneous dependent claims are still filed each year.

Year-End Reminder

A few dollars wisely spent before the end of 2002 could result in a big tax saving. Suppose that your child is a full-time student under age 24 with a part-time job earning, say, $6,000, all of which is spent on rent and food. You spend $5,500 a year for the child's support. Currently, you get no deduction because you provide less than half of your child's support.

Have your child bank $300 and increase your support by $300. Now you get an extra $3,000 exemption because you provide more than half of your child's support—$5,800 compared to $5,700. Although your child loses a $3,000 personal exemption, that exemption is worth only $300. If you are in a higher bracket, the extra exemption, if usable in full, is worth either $810 (27 percent bracket), $900 (30 percent bracket), or $1,050 (35 percent bracket). If your child is under age 17, the extra exemptions may be worth another $600 as a result of the Child Credit (discussed in Chapter 3).

Tax Planning

As a result of the phaseout of personal exemptions, an exemption may be worth more to your child than to you. In such a case, help your child claim the exemption by decreasing your support or having the child spend more of his or her earnings.

Question: I live in a large home with my girlfriend. We have a full-time housekeeper who has her own bedroom and bathroom. I provide all of the support for both my girlfriend and my housekeeper. Can I claim them as dependents?

Form **2120**
(Rev. November 2000)
Department of the Treasury
Internal Revenue Service

Multiple Support Declaration

► Attach to Form 1040 or Form 1040A of person claiming the dependent.

OMB No. 1545-0071
Attachment Sequence No. **114**

Name of person claiming the dependent | Social security number

During the calendar year _____, I paid over 10% of the support of:

Name of person supported

I could have claimed this person as a dependent except that I did not pay over half of his or her support. I understand that this person is being claimed as a dependent on the Federal income tax return of:

Name of person claiming the dependent

Address of person claiming the dependent

I agree not to claim this person as a dependent on my Federal income tax return for any tax year that began in the above calendar year.

Your signature | Your social security number

Address (number, street, apt. no.) | Date

City, state, and ZIP code

Instructions

Purpose of Form

Use Form 2120 to allow an eligible person (see below) to claim a person he or she helped to support as a dependent.

An **eligible person** is someone who could have claimed another person as a dependent except that he or she did not pay over half of that person's support.

Who Can Claim the Dependent

Generally, to claim someone as a dependent, you must pay over half of that person's support. However, even if you did not meet this support test, you may be able to claim him or her as a dependent if **all five** of the following apply.

1. You and one or more other eligible person(s) (see above) together paid over half of that person's support.

2. You paid over 10% of the support.

3. No one alone paid over half of that person's support.

4. The other four dependency tests are met. See **Dependents** in the Form 1040 or Form 1040A instructions.

5. Each other eligible person who paid over 10% of the support agrees not to claim that person as a dependent by completing a Form 2120 (or similar statement with the same information asked for on the form).

Note: *To find out what is included in support, see* ***Pub. 501,*** *Exemptions, Standard Deduction, and Filing Information.*

Who Must File

The person claiming the dependent must attach all the completed and signed Form(s) 2120 or similar statement(s) to his or her tax return. The name and social security number of the person claiming the dependent must be at the top of each Form 2120 or similar statement.

Additional Information

See Pub. 501 for details.

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 time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping,** 7 minutes; **Learning about the law or the form,** 3 minutes; **Preparing the form,** 7 minutes; and **Copying, assembling, and sending the form to the IRS,** 10 minutes.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. Do **not** send the form to this address. Instead, see **Who Must File** above.

Form **2120** (Rev. 11-2000)

ISA
STF FED4413F

Form 2120, Multiple Support Declaration.

Answer: For your girlfriend to be claimed as a dependent, she must have been a member of your household for the entire year, and the relationship between the two of you must not violate state law. Some jurisdictions have criminal statutes prohibiting cohabitation between unmarried individuals, and this would apparently prohibit claiming the dependency exemption, even though such laws may not be enforced. Live-in housekeepers generally will not