

FILING AS HEAD OF HOUSEHOLD CAN LOWER YOUR TAX BILL

Are you an unmarried individual supporting one or more persons on one income? The IRS has a filing status for you. If you qualify as “head of household” for tax filing purposes, you may pay less tax than single individuals supporting themselves.

Unfortunately, many individuals don’t realize they can file as head of household, and they end up paying more tax than necessary. If you are unmarried at the end of the year, maintain a household for a child, parent or other relative, and are a U.S. citizen or a resident alien, you may be eligible.

As head of household, your tax rate will be lower than the rates for single or married filing separately, and you will receive a higher standard deduction. The rules tend to be somewhat complicated but are worth reviewing to see if you qualify. Be aware, however, that you must meet all of the qualifications.

YOU MUST BE UNMARRIED AT YEAR END

You are unmarried if you are single or legally separated from your spouse, according to your state law, under a divorce or separate maintenance agreement. You may be able to file as head of household even if you were not divorced or legally separated from your spouse in 2002 if your spouse was not a member of your household at any time during the last six months of the year; you are filing separate returns; and you maintained a household for more than half the year for a dependent child, stepchild or adopted child and you furnish more than one-half the cost of maintaining the household.

YOU PAID MORE THAN HALF THE COST OF KEEPING UP YOUR HOME

You must have paid more than 50 percent of the cost of maintaining the household for a qualifying relative for the year. Eligible expenses for upkeep include rent, mortgage interest, real estate taxes, homeowner’s insurance, repairs, utilities and food eaten in the home. Be sure you keep detailed records of the amount you spend as well as the total expenses. While the costs of clothing, education, medical treatment, vacations, life insurance or transportation are not included, they are considered in calculating whether you may claim the child or relative as a dependent.

A “QUALIFYING” PERSON LIVED IN YOUR HOME

You must have maintained your household for a qualifying person who lived with you for more than half the year. Your unmarried child, adopted child, grandchild or stepchild is a qualifying person, even if he or she is not your dependent, as long as he or she lives with you. If your child, adopted child, grandchild or stepchild is married, he or she must be your dependent to be a qualifying person. Any of the following relatives you can claim as a dependent and who have lived in your house for more than six months may qualify as well: parents, grandparents, brothers and sisters, in-laws and, if related by blood, an aunt, uncle, niece or nephew. You cannot file as head of household if the qualifying person is your dependent under a multiple support agreement.

An exception to the rule that the qualifying person must live with you applies when you are providing financial support to a dependent parent. In such cases, you may be eligible even if the parent does not live with you. Generally, you qualify if, for the entire year, you paid more than half the cost of keeping up your parent’s home or keeping your mother or father in a nursing or adult-living home for the elderly.

In determining whether a dependent relative lived with you for more than half the year, temporary absences, such as being away at school or serving in the military, are counted as time lived in your home.

HOW TO FILE

To file as head of household, you can use Form 1040 or Form 1040A. Indicate your choice of this filing status by checking the appropriate box, and use the head of household column in the Tax Table to compute your tax. If you’re not sure whether you qualify for filing as head of household, a CPA can help you determine your eligibility. 

