Mariner
WEALTH ADVISORS

What You Need to Know About Kiddie Tax

Kiddie tax is a tax law that was implemented in 1986 to prevent parents from taking advantage of lower tax rates by giving their children large gifts of stock that would be subject to the child's lower tax rate on investment income.

Changes Through the Years

When the program was created, the unearned portion of a child's investment income under a specific threshold, $2,200, was considered tax free, while the earned portion was subject to taxes at the child's tax rate. Any income a child earned above the threshold was to be taxed at the guardian's rate.

In 2023, the first $1,250 of a child's unearned income qualifies for the standard deduction. The next $1,250 will be taxed at the child's income tax rate.

This tax currently applies if:

1. The child (or young adult) has unearned income that exceeds $2,500 (which will be taxed at the parents' normal tax bracket);
2. The child has not reached the age of 19 by the close of the taxable year, or the child is a full-time student under the age of 24 and either of the child's parents is alive at such time;
3. The child does not file a joint return.

Once a dependent has gross income that exceeds $12,500, they are required to file their own separate return.[1]

A Team Approach

At Mariner Wealth Advisors, our in-house tax professionals can work with your wealth advisor to help you navigate the kiddie tax.

For more information visit: marinerwealthadvisors.com

[1]"Revenue Procedure 2022-38"

Additional fees may apply for tax planning and preparation services.

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