

SECTION C—FAMILY SIZE TAX CREDIT

Complete this section if you are: (1) single and have a family size greater than one; (2) married, filing separately on a combined return or married, filing a joint return and have a family size greater than two; or (3) married filing separate returns and have a family size greater than two.

You must enter each dependents' name, Social Security number and relationship that qualify to be included in your family size.

Family Size—Consists of yourself, your spouse if married and living in the same household and qualifying children.

Family Size 1 is an individual either single, or married living apart from his or her spouse for the entire year. You may qualify for the Family Size Tax Credit even if you are claimed as a dependent on your parent's tax return.

Family Size 2 is an individual with one qualifying child or a married couple.

Family Size 3 is an individual with two qualifying children or a married couple with one qualifying child.

Family Size 4 is an individual with three or more qualifying children or a married couple with two or more qualifying children.

Qualifying Dependent Child—Means a qualifying child as defined in Internal Revenue Code Section 152(c), and includes a child who lives in the household but cannot be claimed as a dependent if the provisions of Internal Revenue Code Section 152(e)(2) and 152(e)(4) apply. In general, to be a taxpayer's qualifying child, a person must satisfy four tests:

Relationship—Must be the taxpayer's child or stepchild (whether by blood or adoption), foster child, sibling or stepsibling, or a descendant of one of these.

Residence—Has the same principal residence as the taxpayer for more than half the tax year. A qualifying child is determined without regard to the exception for children of divorced or separated parents.

Age—Must be under the age of 19 at the end of the tax year, or under the age of 24 if a full-time student for at least five months of the year, or be permanently and totally disabled at any time during the year.

Support—Did not provide more than one-half of his/her own support for the year.

DETERMINE MODIFIED GROSS INCOME

Use worksheet to compute Modified Gross Income. Modified Gross Income along with your family size will be used to determine your credit percentage on the Family Size Tax Table.

WORKSHEET FOR COMPUTATION OF MODIFIED GROSS INCOME FOR FAMILY SIZE TAX CREDIT

- (a) Enter your federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8).
If zero or less, enter zero (a) _____
- (b) If married filing separate returns and living in the same household, enter your spouse's federal adjusted gross income from Form 740, page 1, line 5 (Form 740-NP, page 1, line 8). **If zero or less, enter zero** (b) _____
- (c) Enter tax-exempt interest from municipal bonds (non-Kentucky) (c) _____
- (d) Enter amount of lump-sum distributions not included in federal adjusted gross income (federal Form 4972) (d) _____
- (e) Enter total of lines (a), (b), (c) and (d)..... (e) _____
- (f) Enter your Kentucky adjusted gross income from Form 740, page 1, line 9 (Form 740-NP, page 1, line 9). **If zero or less, enter zero** (f) _____
- (g) If married filing separate returns and living in the same household, enter your spouse's Kentucky adjusted gross income from Form 740, page 1, line 9 (Form 740-NP, page 1, line 9). **If zero or less, enter zero** (g) _____
- (h) Enter amount of lump-sum distributions not included in adjusted gross income (Kentucky Form 4972-K)..... (h) _____
- (i) Enter total of lines (f), (g) and (h)..... (i) _____
- (j) Enter the **greater** of line (e) or (i). This is your **Modified Gross Income**. Use this amount to determine if you qualify for the Family Size Tax Credit (j) _____

FAMILY SIZE TABLE

Once you have determined your family size and your Modified Gross Income, you will use the Family Size table located on the Schedule ITC to determine your family size credit percentage.

Example 1: A taxpayer is filing single, has one qualifying dependent child and their Modified Gross Income is \$21,450. This taxpayer has a family size of two and would be entitled to a family size tax credit of 70% (.70).

Example 2: A taxpayer and spouse are filing married, filing a joint return and they have two qualifying dependent children and their modified gross income is \$31,000. They would have a family size of four and would be entitled to a family size tax credit of 90% (.90).