

How to Avoid the Kiddie Tax

Once an education credit has been prepared, the Education Worksheet may indicate that it is to the advantage of the student to transfer some scholarships and grants to taxable income for the student in order to maximize the amount of qualified education expenses that are available for the education credit.

If the student is a dependent, **transferring scholarship or grants to income may make the tax return of the student out of scope** for the Tax Help Program.

Review “[When Is Scholarship Income Out of Scope](#)” to confirm the unearned income thresholds that cause the kiddie tax to apply.

To **limit the amount of scholarship/grant to transfer to income** once you have entered all amounts and information on the education credit worksheet, navigate to the bottom section of the worksheet.

- **Check the box as indicated below and enter the maximum amount to be transferred to the student.**

Determining amount of scholarship/grant to transfer to income

Set maximum amount of income to transfer to student (set checkbox and enter amount) :

To avoid triggering the kiddie tax, enter a maximum of:

\$2500 for tax year 2023 | \$2300 for tax year 2022 | \$2200 for tax years 2021 and 2020

Note: This field can also be used to avoid transferring an amount of scholarship income that would trigger a filing requirement for the dependent student. For more information about this scenario, check with a VLT or your site manager and/or consider sending the tax return to Drop Off.