**8517. What is the standard deduction for a taxpayer who may be claimed as a dependent by another taxpayer?**

For taxable years beginning in 2014, the standard deduction for an individual who may be claimed as a dependent by another taxpayer is the greater of $1,000 or the sum of $350 and the dependent’s earned income.[[1]](#footnote-1) These dollar amounts are adjusted for inflation.[[2]](#footnote-2)

**Planning Point:** Self-employed and small business owners may be able to shift income taxable at their higher tax brackets to their lower tax bracket children by employing them in the business. This way the children’s wage income would be taxed at their lower rates. The work must be legitimate and the pay must be reasonable, although it can be at the higher end of the reasonable scale.

1. . IRC Sec. 63(c)(5); Rev. Proc. 2013-35, 2013-47 IRB 537. [↑](#footnote-ref-1)
2. . IRC Sec. 63(c)(4). [↑](#footnote-ref-2)