



## PROVISION OF THE SECURE ACT

### Kiddie Tax Changes

In 2017, Congress passed the Tax Cuts and Jobs Act (TCJA, P.L. 115-97), which made changes to the so-called "kiddie tax," which is a tax on the unearned income of certain children. Before enactment of the TCJA, the net unearned income of a child was taxed at the parents' tax rates if the parents' tax rates were higher than the tax rates of the child.

Under the TCJA, for tax years beginning after Dec. 31, 2017, the taxable income of a child attributable to net unearned income is taxed according to the brackets applicable to trusts and estates. Children to whom the kiddie tax rules apply and who have net unearned income also have a reduced exemption amount under the alternative minimum tax (AMT) rules.

The new law repeals the kiddie tax measures that were added by the TCJA. So, starting in 2020 (with the option to start retroactively in 2018 – in which case an amended return may be necessary - and/or 2019), the unearned income of children is taxed under the pre-TCJA rules, and not at trust/estate rates. And starting retroactively in 2018, the new rules also eliminate the reduced AMT exemption amount for children to whom the kiddie tax rules apply and who have net unearned income.