

Caution: DRAFT FORM

This is an advance proof copy of an IRS tax form. It is subject to change and OMB approval before it is officially released. You can check the scheduled release date on our web site (www.irs.gov).

If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

Parents' Election To Report Child's Interest and Dividends

▶ See instructions.
 ▶ Attach to parents' Form 1040 or Form 1040NR.

2006

Attachment
 Sequence No. **40**

Name(s) shown on your return	Your social security number : : : :
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Caution. The federal income tax on your child's income, including qualified dividends and capital gain distributions, may be less if you file a separate tax return for the child instead of making this election. This is because you cannot take certain tax benefits that your child could take on his or her own return. For details, see **Tax benefits you cannot take** on page 2.

A Child's name (first, initial, and last)	B Child's social security number : : : :
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c If more than one Form 8814 is attached, check here

Part I Child's Interest and Dividends To Report on Your Return

1a Enter your child's taxable interest. If this amount is different from the amounts shown on the child's Forms 1099-INT and 1099-OID, see the instructions	1a			
b Enter your child's tax-exempt interest. Do not include this amount on line 1a	1b			
2a Enter your child's ordinary dividends, including any Alaska Permanent Fund dividends. If your child received any ordinary dividends as a nominee, see the instructions	2a			
b Enter your child's qualified dividends included on line 2a. See instructions	2b			
3 Enter your child's capital gain distributions. If your child received any capital gain distributions as a nominee, see the instructions	3			
4 Add lines 1a, 2a, and 3. If the total is \$1,700 or less, skip lines 5 through 12 and go to line 13. If the total is \$8,500 or more, do not file this form. Your child must file his or her own return to report the income	4			
5 Base amount	5	1,700	00	
6 Subtract line 5 from line 4	6			
If both lines 2b and 3 are zero or blank, skip lines 7 through 10, enter -0- on line 11, and go to line 12. Otherwise, go to line 7.				
7 Divide line 2b by line 4. Enter the result as a decimal (rounded to at least three places)	7			
8 Divide line 3 by line 4. Enter the result as a decimal (rounded to at least three places)	8			
9 Multiply line 6 by line 7. Enter the result here. See the instructions for where to report this amount on your return	9			
10 Multiply line 6 by line 8. Enter the result here. See the instructions for where to report this amount on your return	10			
11 Add lines 9 and 10	11			
12 Subtract line 11 from line 6. Include this amount in the total on Form 1040, line 21, or Form 1040NR, line 21. In the space next to line 21, enter "Form 8814" and show the amount. If you checked the box on line C above, see the instructions. Go to line 13 below	12			

Part II Tax on the First \$1,700 of Child's Interest and Dividends

13 Amount not taxed	13	850	00	
14 Subtract line 13 from line 4. If the result is zero or less, enter -0-	14			
15 Tax. Is the amount on line 14 less than \$850? <input type="checkbox"/> No. Enter \$85 here and see the Note below. <input type="checkbox"/> Yes. Multiply line 14 by 10% (.10). Enter the result here and see the Note below. }	15			

Note. If you checked the box on line C above, see the instructions. Otherwise, include the amount from line 15 in the tax you enter on Form 1040, line 44, or Form 1040NR, line 41. Be sure to check box a on Form 1040, line 44, or Form 1040NR, line 41.