

PRESS INFORMATION

For Immediate Release

Date

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Liberty Tax Explains New Qualifying Relative Tax Change

(City, ST) Due to a recent clarification by the IRS, certain taxpayers may now qualify to claim unrelated children as dependents for tax filing years 2007, 2006, and 2005. Liberty Tax Service reminds you that those who now qualify to take advantage of this tax change may amend their returns for 2006 and 2005.

In the past, an unrelated child could not be claimed as a dependent if he or she was the qualifying child of **anyone else**. This was the rule even when a parent had little or no income, and someone else in the household was providing the financial support.

Under the new change, if a child is living with unmarried individuals, that child is not a qualifying child of "any other taxpayer" if the child’s parent:

- is not required to file an income tax return, and
- does not file an income tax return, or
- files an income tax return solely to obtain a refund of withheld income taxes.

The other person who is paying the bills and supporting the household would now be able to claim the child as a dependent (under the qualifying relative rules) if:

- the child lived all year as a member of the household.
- the person provided over half of the child’s support.
- the child had a gross income of less than \$3,400 in 2007.

To amend 2005 and 2006 returns, the same rules for a qualifying relative apply except the gross income must be less than \$3,300 in 2006 and less than \$3,200 in 2005.

This change only applies to the dependency exemption. “A taxpayer who is not related to the dependent child **cannot** claim the child tax credit, the earned income credit, or head of household filing status,” said, (Name) (Title) of Liberty Tax Service.

About Liberty Tax Service:

Liberty Tax Service is the fastest growing retail tax preparation company in the industry’s history. Founded in 1997 by CEO John T. Hewitt, a pioneer in the tax industry, Liberty Tax Service (www.libertytax.com) has prepared over 5,000,000 individual income tax returns and currently operates over 2,700 offices throughout the United States and Canada.

Liberty Tax Service provides computerized income tax preparation, electronic filing and refund loans. With an emphasis on customer service including audit assistance, a money back guarantee, and free tax return checking, Liberty Tax Service is well known for its strong commitment to its client base.

With 38 years of tax industry experience, Hewitt stands as the most experienced CEO in the tax preparation business, having also founded Jackson Hewitt Tax Service (**NYSE: JTX**).