

Credit for Child and Dependent Care Expenses

As an AARP Foundation Tax-Aide Counselor, use this credit to allow taxpayers to reduce their tax for their child and dependent care expenses.

Learning Objectives

- Determine if a taxpayer is eligible for the credit
- Calculate the amount of the credit

Getting Started:

 **4491** Study the associated IRS VITA/TCE Training Guide Chapter 22.

 **4012** Open [Pub 4012 Volunteer Resource Guide](#) **Tab G-5 through G-8.**

The child and dependent care credit may be claimed by taxpayers who, in order to work or look for work, pay someone to take care of their qualifying person.

A qualifying person is a:

- Qualifying child under age 13
- Spouse who is incapable of self-care
- Dependent who is incapable of self-care

Taxpayers that receive dependent care benefits from their employers, may be able to exclude these benefits from their income. Dependent care benefits include amounts the employer pays either directly to the taxpayer or to the care provider. Employer-provided dependent care benefits appear in the taxpayer's Form W-2, box 10.

The taxpayer may still be able to claim a child and dependent care credit, but the amount of excluded benefits is not included in work-related expenses and also reduces the dollar limit for the credit. Taxpayers who receive dependent care benefits **must** complete Part III of Form 2441, even if they are not eligible for a child and dependent care credit.

The limit on the amount of work-related expenses that can be used to figure the credit is \$3,000 for one qualifying person or \$6,000 for two or more qualifying persons. If the taxpayer received dependent care benefits from an employer, the amount of the benefits excluded from income must be subtracted from the dollar limit.

Hints from NTTC Modifications to the IRS Training Guide

Surviving spouse's child or dependent care credit

Clarify that the surviving spouse may disregard the decedent's earned income and use their own earned income only when beneficial.

If the surviving spouse remarries before the end of the year, the decedent's final separate return may be able to claim the credit.

Pub 4491 Correction: Taxpayer Interview and Tax Law Application at bottom of page
Correct that Bill's granddaughter takes care of Helen, not herself.

Tax-Aide Learning Hints:

- The Clark Exercise will have a Foreign Tax Credit, a Child & Dependent Care Credit, a Retirement Savings Credit, and a Child Tax and Other Dependent Credit.

Practice Lab

Open [TaxSlayer Practice Lab](#) and login.

If necessary, find and review the **Entering Basic Credits video**.

Use the same Clark Exercise already created in Lesson 22 Foreign Tax Credit, open the return in TaxSlayer

The Clark's interview provided documentation showing:

Sean was in school in the morning, but spent afternoons with a neighbor, Marie Mason, until either Jeremy or Janice picked him up after work. Marie lives at 1498 Charles St. She provided her Social Security number – 055-12-3456, and a receipt for \$2,475 for day care.

- Open the Clark Return.
- Navigate to Federal Section>Deductions>Credits>Child and Dependent Care Credit.
- Fill in the form with the information from the Clark's interview.

Review the Summary/Print and the PDF of Form 1040 and Schedule 3

Find answers in the file: *Answers to Practice Lab Self-Study Exercises* in the Self-Study 2018>H. Answers, etc. Module.

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Learning Review

1: Audrey is a stay-at-home mom. Her husband works and had earned income for the tax year. They have a young son with autism who must be supervised at all times. Audrey volunteers at a local autism information hotline 12 hours a week. She and her husband pay a caregiver to stay with their son during those hours. Do they qualify for the child and dependent care credit?	Yes or No
2: Why don't Audrey and her husband qualify for the credit? (Select all answers that apply.) A. The caregiver expense is not work-related B. Their son is not a qualifying person C. The caregiver's duties qualify as work-related D. They do not pass the earned income test	

Feedback:

Please email: selfstudy@aarpdfntaxaide.org. Appreciate suggestions and comments.

Answers for Learning Review

1: No, they do not qualify.

2: A and D. Audrey is not using the caregiver's services to look for work or to perform work. In addition, both spouses must have earned income during the year to qualify. Only the husband had earned income for the tax year.