



MODULE 6A: CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES

Special thanks to: Xavier Nanez, Department of Personal Financial Planning, Texas Tech University for his contribution to content provided in this module.



By the end of this module you will...

- Understand the Credit for Child and Dependent Care Expenses
- Understand the five qualifying tests for eligibility to claim the Credit for Child and Dependent Care Expenses
- Understand the form used to claim the credit, and where the credit appears on Form 1040



In this module...

- [Credit for Child and Dependent Care Expenses](#)
- [Taxpayer Eligibility Requirements](#)
- [Determining the amount of the credit](#)
- [Re-Cap](#)
- [Knowledge Check](#)



Credit for Child and Dependent Care Expenses



Credit for Child and Dependent Care Expenses

- This credit allows taxpayers to reduce income tax by a percentage of their total child and dependent care expenses.
- This credit is nonrefundable, and has the potential to reduce one's income tax to zero.

Keep in mind that it cannot reduce other taxes or increase a refund.

- The credit ranges from 20% to 35% of the taxpayers qualifying expenses.
- The credit is based on amounts paid for the care of a qualifying person.

A qualifying person can be any one of the following:

- Child under 13
- Spouse who is unable to provide self-care
- Dependent who is unable to provide self-care

Taxpayer Eligibility



Taxpayer Eligibility

- There are five tests to determine a taxpayer's eligibility to claim the Child & Dependent Care Credit:
 1. **Qualifying Person Test**
(Must have a qualifying person)
 2. **Earned Income Test**
(Must have earned income)
 3. **Work-Related Expense Test**
(Care must be to enable the taxpayer to work)
 4. **Joint Return Test**
(Married taxpayers must file a joint return)
 5. **Provider Identification Test**
(The taxpayer must provide the name, address, and tax identification number of the care provider.)



(Note: All five tests must be satisfied by the taxpayer to claim the credit)

Determining the amount of the credit



How is the amount of the credit determined?

- Form 2441 must accompany any returns claiming the Credit for Child and Dependent Care Expenses
- Taxpayers must provide eligible expenses for child and dependent care
- The credit is claimed on Schedule 3, Nonrefundable Credits
- The resulting credit amount is transferred to Form 1040, line 12

Part II Credit for Child and Dependent Care Expenses																																																															
2 Information about your qualifying person(s) . If you have more than two qualifying persons, see the instructions.																																																															
(a) Qualifying person's name	(b) Qualifying person's social security number	(c) Qualified expenses you incurred and paid in 2017 for the person listed in column (a)																																																													
First	Last																																																														
3 Add the amounts in column (c) of line 2. Don't enter more than \$3,000 for one qualifying person or \$6,000 for two or more persons. If you completed Part III, enter the amount from line 31																																																															
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4 Enter your earned income . See instructions																																																															
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5 If married filing jointly, enter your spouse's earned income (if you or your spouse was a student or was disabled, see the instructions); all others , enter the amount from line 4																																																															
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6 Enter the smallest of line 3, 4, or 5																																																															
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7 Enter the amount from Form 1040, line 38; Form 1040A, line 22; or Form 1040NR, line 37																																																															
		7																																																													
8 Enter on line 8 the decimal amount shown below that applies to the amount on line 7																																																															
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9 Multiply line 6 by the decimal amount on line 8. If you paid 2016 expenses in 2017, see the instructions																																																															
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10 Tax liability limit. Enter the amount from the Credit Limit Worksheet in the instructions.																																																															
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11 Credit for child and dependent care expenses. Enter the smaller of line 9 or line 10 here and on Form 1040, line 49; Form 1040A, line 31; or Form 1040NR, line 47																																																															
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For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 11862M Form 2441 (2017)

NOTE: The software will calculate the amount of the credit for you.



Re-Cap



Re-Cap

- The credit for child and dependent care expenses allows taxpayers to reduce income tax by a percentage of the total paid during the year for child and dependent care.
- It is a non-refundable credit that reduces a taxpayer's income tax liability by a percentage of the total paid for child and dependent care
- There are five qualifying tests that must be met to be eligible to claim the credit:
 1. Qualifying Person Test
 2. Earned Income Test
 3. Work-Related Expense Test
 4. Joint Return Test
 5. Provider Identification Test
- Form 2441, Credit for Child and Dependent Care Expenses is used to claim the credit
- The resulting credit amount is claimed on Schedule 3, and transferred to Form 1040, Line 12

Knowledge Check

Additional Resources:

- [IRS Publication 4012 \(G5-8\)](#)
- [IRS Publication 4491 \(22-1\)](#)

Up Next...

Module 6B: Credit for the Elderly & Disabled

