

Dependent Care

What it is: Have you paid someone to care for your child, spouse, or dependent? If so, you may be able to claim the Child and Dependent Care Credit on your federal income tax return.

How it works: According to the Internal Revenue Service Topic 602, you may be able to claim the child and dependent care credit if you paid expenses for the care of a qualifying individual to enable you and your spouse (filing a joint return) to work or actively look for work. You may not take this credit if your filing status is married filing separately. The credit amount is a percentage of the amount of work-related expenses you paid to a care provider which depend on your adjusted gross income. You can calculate the figure using the Child Tax Credit Worksheet in Publication 972.

The total expenses that you may use to calculate the credit should not be more than \$3,000 (one qualifying individual) or \$6,000 (two or more qualifying individuals). The expenses paid for the care are considered qualified if the funds are used primarily for the individual's well-being and protection.

The care must have been provided for one or more qualifying persons. A qualifying person is your dependent child age 12 or younger when the care was provided. Additionally, your spouse and certain other individuals who are physically or mentally incapable of self-care may also be qualifying persons. You must identify each qualifying person on your tax return.

Why it matters: You – and your spouse if you file jointly – must have earned income from wages, salaries, tips, other taxable employee compensation or net earnings from self-employment. One spouse may be considered as having earned income if they were a full-time student or were physically or mentally unable to care for themselves.

Who should care: The payments for care cannot be paid to your spouse, to the parent of your qualifying person, to someone you can claim as your dependent on your return, or to your child who will not be age 19 or older by the end of the year even if he or she is not your dependent you must identify the care provider(s) on your tax return.

If you pay someone to come to your home and care for your dependent or spouse, you may be a household employer and may have to withhold and pay social security and Medicare tax and pay federal unemployment tax. See Publication 926, Household Employer's Tax Guide.

For more information

- Internal Revenue Service, <http://www.irs.gov/taxtopics/tc602.html>
- Internal Revenue Service, <http://www.irs.gov/pub/irs-pdf/p972.pdf>
- Internal Revenue Service, <http://www.irs.gov/publications/p926/ar01.html>
- Iowa State University Extension and Outreach Money Blogs tips
<http://blogs.extension.iastate.edu/moneytips/>
- Iowa State University Extension and Outreach website at
www.extension.iastate.edu/humansciences/