



Credit for Child and Dependent Care Expenses

SCHEDULE 3
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Credits and Payments

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2022
Attachment
Sequence No. **03**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

Part I Nonrefundable Credits

1	Foreign tax credit. Attach Form 1116 if required	1
2	Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441	2
3	Education credits from Form 8863, line 19	3
4	Retirement savings contributions credit. Attach Form 8880	4
5	Residential energy credits. Attach Form 5695	5

DRAFT AS OF
July 27, 2022

About Credit for Child and Dependent Care Expenses

- Additional resources listed in L< “References” tab
- Review all tips and cautions in the lesson
- Read all examples and sample interviews
- We will review answers to each exercise

Objectives – Credit for Child and Dependent Care Expenses

- Determine if a taxpayer is eligible for the credit
- Calculate the amount of the credit
- Time Required: 30 minutes

Topics



- Nonrefundable Credit
- Child and Dependent Care Credit
- Determining Taxpayer Eligibility
- Five Eligibility Tests
- Determining the Amount of the Credit
- Avoiding Common Errors

Key Terms

Definitions are always available in the L< online Glossary.

- Adjusted Gross Income (AGI)
- Child and Dependent Care Credit
- Earned Income
- Nonrefundable Credit
- Qualifying Child
- Qualifying Relative
- TANF

Nonrefundable Credit

- Child and dependent care credit is a nonrefundable credit
- Generally, nonrefundable credits are applied against tax in the order they are listed on Form 1040, Schedule 3



Child and Dependent Care Credit

- Credit can be claimed by taxpayer with:
 - A qualifying dependent
 - Work-related dependent care expenses
- The credit can range from 20% to 35% of a taxpayer's qualifying child or dependent care expenses
- Taxpayers may be able to exclude employer-provided dependent care benefits from income
 - Form W-2, box 10, shows dependent care benefits from employers

• anyone you supported but did not live with you last year

								To be completed by a Certified volunteer Preparer					
Name (first, last) Do not enter your name or spouse's name below	Date of Birth (mm/dd/yy)	Relationship to you (for example: son, daughter, parent, none, etc)	Number of months lived in your home last year	US Citizen (yes/no)	Resident of US, Canada, or Mexico last year (yes/no)	Single or Married as of 12/31/19 (S/M)	Full-time Student last year (yes/no)	Totally and Permanently Disabled (yes/no)	Is this person a qualifying child/relative of any other person? (yes/no)	Did this person provide more than 50% of his/her own support? (yes/no)	Did this person have less than \$4,200 of income? (yes/no)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/N/A)	Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)					

Determining Taxpayer Eligibility

- Use Pub 4012, Tab G, Nonrefundable Credits, [Credit for Child & Dependent Care Expenses – Screening Sheet](#), to determine if a taxpayer can claim the credit
- Five eligibility tests to qualify for the credit:
 - Qualifying person test
 - Earned income test
 - Work-related expense test
 - Joint return test
 - Provider identification test

Credit for Child & Dependent Care Expenses – Screening Sheet		
Can You Claim the Child and Dependent Care Credit?		
step 1	Was the care for one or more qualifying persons? See prior page for definition.	YES – Go to Step 2 NO – You CANT claim the child and dependent care credit ²
step 2	Did you (and your spouse if applicable) have earned income ¹ during the year? Refer to the Earned Income Table in the Earned Income Credit tab.	YES – Go to Step 3 NO – You CANT claim the child and dependent care credit ²
step 3	Did you pay the expenses to allow you to work or look for work? See prior page for qualifying expenses.	YES – Go to Step 4 NO – You CANT claim the child and dependent care credit ²
step 4	Were your payments made to someone you or your spouse could claim as a dependent?	YES – You CANT claim the child and dependent care credit ² NO – Go to Step 5
step 5	Were your payments made to your spouse or to the parent of your child who is your qualifying person? Answer NO if your qualifying child is a disabled person over age 13.	YES – You CANT claim the child and dependent care credit ² NO – Go to Step 6
step 6	Were your payments made to your child who was under the age of 19 at the end of the year?	YES – You CANT claim the child and dependent care credit ² NO – Go to Step 7
step 7	Are you single?	YES – Go to Step 10 NO – Go to Step 8
step 8	Are you filing a joint return?	YES – Go to Step 10 NO – Go to Step 9
step 9	Do you meet the requirements to be considered unmarried?	YES – Go to Step 10 NO – You CANT claim the child and dependent care credit ²

Five Eligibility Tests

- Qualifying Person Test
 - Use Pub 4012, Tab G, Nonrefundable Credits, [Child and Dependent Care Credit Expenses Tip](#), to determine who is a qualifying person
- Earned Income Test
 - See the list in Pub 4012, Nonrefundable Credits tab, [Earned Income Table](#)
- Work-Related Expense Test
 - Limit on work-related expenses is \$3,000 paid for one qualifying person or \$6,000 or two or more qualifying persons
- Joint Return Test
 - Generally, married couples must file a joint return to claim the credit
- Provider Identification Test
 - Care provider's name, address, and Taxpayer Identification Number (TIN) is required

Determining the Amount of the Credit

- Use [Form 2441](#), Child and Dependent Care Expenses, which is divided into three parts:
 - Part I is for general information about the care provider
 - Part II is where the credit for child and dependent care expenses is calculated
 - Part III is where employer-provided dependent care benefits are reported
- The taxpayer's child and dependent care expenses are subject to an earned income limit

Form **2441** **Child and Dependent Care Expenses**

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to www.irs.gov/Form2441 for instructions and the latest information.

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Name(s) shown on return _____ Your social security number _____


You cannot claim a credit for child and dependent care expenses if your filing status is married filing separately unless you meet the requirements listed in the instructions under "Married Persons Filing Separately." If you meet these requirements, check this box.

Part I **Persons or Organizations Who Provided the Care**—You must complete this part.
(If you have more than two care providers, see the instructions.)

1	(a) Care provider's name	(b) Address (number, street, apt. no., city, state, and ZIP code)	(c) Identifying number (SSN or EIN)	(d) Amount paid (see instructions)

Avoiding Common Errors

- Double-check all entries
- Make sure Form 2441, Part III is completed if taxpayer's Form W-2 shows an amount in box 10
- Verify Form 13614-C, Part IV shows box for child/dependent care is checked

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1 Wages, tips, other compensation	2 Federal income tax withheld
3 Social security wages	4 Social security tax withheld
5 Medicare wages and tips	6 Medicare tax withheld
7 Social security tips	8 Allocated tips
9	10 Dependent care benefits
11 Nonqualified plans	12a See instructions for box 12

Form 2441 (2015) current year unavailable

Part III Dependent Care Benefits

12 Enter the total amount of **dependent care benefits** you received in 2015. Amounts received as an employee should be shown in box 10 of your Form(s) W-2. **Do not** include amounts reported as wages in box 1 of Form(s) W-2. If you were self-employed partner, include amounts you received under a dependent care assistance program in your sole proprietorship or partnership

13 Enter the amount, if any, you carried over from 2014 and used in 2015 during the period. See instructions

14 Enter the amount, if any, you forfeited or carried forward to 2016. See instructions

15 Combine lines 12 through 14. See instructions

16 Enter the total amount of **qualified expenses** incurred in 2015 for the care of the **qualifying person(s)** 16

17 Enter the **smaller** of line 15 or 16 17

18 Enter your **earned income**. See instructions 18

19 Enter the amount shown below that applies to you.

• If married filing jointly, enter your \

Summary

- The child and dependent care credit is a nonrefundable credit that allows taxpayers to reduce tax liability by a percentage of their child and dependent care expenses
- Maximum expense amounts are \$3,000 for one qualifying person and \$6,000 for two or more qualifying persons
- Credit rate is 20%-35% of the taxpayer's expenses
- Taxpayer must satisfy five eligibility tests to qualify for the credit
- The credit is calculated and reported on Form 2441

Out of Scope for this Lesson:

- Taxpayers who need assistance in determining if employment taxes are owed for household employees