A tax credit is a dollar-for-dollar reduction of the tax. The tax credit for child and dependent care expenses allows taxpayers to claim a credit for expenses paid for the care of children under age 13 and for a disabled spouse or dependent. In order to claim the credit, the taxpayer, child or dependent, and expenses must meet numerous requirements.

There is a maximum amount for qualifying expenses for one qualifying person and for two or more qualifying persons; there is also a maximum percentage.
Understanding Taxes
## Part III  Dependent Care Benefits

12 Enter the total amount of **dependent care benefits** you received in 2020. Amounts you received as an employee should be shown in box 10 of your Form(s) W-2. **Don’t** include amounts reported as wages in box 1 of Form(s) W-2. If you were self-employed or a partner, include amounts you received under a dependent care assistance program from your sole proprietorship or partnership.

13 Enter the amount, if any, you carried over from 2019 and used in 2020 during the grace period. See instructions.

14 Enter the amount, if any, you forfeited or carried forward to 2021. See instructions.

15 Combine lines 12 through 14. See instructions.

16 Enter the total amount of **qualified expenses** incurred in 2020 for the care of the **qualifying person(s)**.

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

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

19 Enter the amount shown below that applies to you.
   - If married filing jointly, enter your spouse’s **earned income** (if you or your spouse was a student or was disabled, see the instructions for line 5).
   - If married filing separately, see instructions.
   - All others, enter the amount from line 18.

20 Enter the **smallest** of line 17, 18, or 19.

21 Enter $5,000 ($2,500 if married filing separately and you were required to enter your spouse’s earned income on line 19).

22 Is any amount on line 12 from your sole proprietorship or partnership?
   - **No.** Enter -0-.
   - **Yes.** Enter the amount here.

23 Subtract line 22 from line 15.

24 **Deductible benefits.** Enter the **smallest** of line 20, 21, or 22. Also, include this amount on the appropriate line(s) of your return. See instructions.

25 **Excluded benefits.** If you checked “No” on line 22, enter the smaller of line 20 or 21. Otherwise, subtract line 24 from the smaller of line 20 or line 21. If zero or less, enter -0-.

26 **Taxable benefits.** Subtract line 25 from line 23. If zero or less, enter -0-. Also, include this amount on Form 1040 or 1040-SR, line 1; or Form 1040-NR, line 1a. On the dotted line next to Form 1040 or 1040-SR, line 1; or Form 1040-NR, line 1a, enter “DCB.”

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To claim the child and dependent care credit, complete lines 27 through 31 below.

27 Enter $3,000 ($6,000 if two or more qualifying persons).

28 Subtract lines 24 and 25.

29 Subtract line 28 from line 27. If zero or less, **stop. You can’t take the credit. Exception.** If you paid 2019 expenses in 2020, see the instructions for line 9.

30 Complete line 2 on the front of this form. **Don’t** include in column (c) any benefits shown on line 28 above. Then, add the amounts in column (c) and enter the total here.

31 Enter the **smaller** of line 29 or 30. Also, enter this amount on line 3 on the front of this form and complete lines 4 through 11.
Taxpayer Requirements:
The taxpayer must:
- Incur expenses in order to work or look for work.
- Earn income for work performed during the year (there is an exception).
- File a joint return, if married (there is an exception).
- Maintain a home that was also the home of a qualifying person.
- Pay the expenses to someone other than the taxpayer’s child under age 19 or the taxpayer’s dependent claimed on the tax return.

Child or Dependent Requirements
A qualifying person is one of the following:
- child, under the age of 13, and was claimed as a dependent;
- dependent, or a person who could be claimed as a dependent if his or her gross income was less than the income limitation amount, who is physically or mentally incapable of self-care; or
- spouse who is physically or mentally incapable of self-care.

Expense Requirements
Qualified expenses include:
- household services and
- care services.