



## Lesson Plan

### Credit for Child and Dependent Care Expenses

Time Required: 30 minutes

Introduction	Objectives	Topics
<p>This lesson teaches students how to determine a taxpayer's eligibility for the child and dependent care credit and use Form 2441 to calculate the amount reported on Form 1040, line 49.</p>	<p>Determine if a taxpayer is eligible for the credit.</p> <p>Calculate the amount of the credit.</p>	  <p>Nonrefundable Credit Child and Dependent Care Credit Determining Taxpayer Eligibility Five Eligibility Tests Taxpayer Interview Determining the Amount of the Credit Avoiding Common Errors</p>

### Key Terms

**Adjusted Gross Income (AGI):** The taxpayer's total adjusted gross income (AGI) is the amount that is used to compute some limitations, such as the medical and dental deduction on Schedule A and the credit for child and dependent care expenses.

**Child and Dependent Care Credit:** A nonrefundable credit that allows taxpayers to claim a credit for paying someone to care for their qualifying dependents under the age of 13 or spouses or dependents who are unable to care for themselves. The credit ranges from 20% to 35% of the taxpayer's expenses.

**Dependency Exemptions:** Amount that taxpayers can claim for a "qualifying child" or "qualifying relative." Each exemption reduces the income subject to tax. One exemption is allowed for each qualifying child or qualifying relative claimed as a dependent.

**Earned Income:** Includes wages, salaries, tips, and other employee compensation. Earned income also includes net earnings from self-employment and other income received for personal services.

**Nonrefundable Credit:** A nonrefundable credit can only reduce the tax liability to zero. Any excess credit is not refunded to the taxpayer.

**Qualifying Child:** To be identified as a qualifying child, a person must meet certain basic tests. In addition, there may be other requirements to claim various tax benefits for that qualifying child.

**Qualifying Relative:** To be identified as a qualifying relative, a person must meet seven tests: Member of household or relationship test, Qualifying child of another taxpayer test, Citizen or resident test, Gross income test, Support test, Joint return test, and Dependent taxpayer test.

**TANF:** Temporary Assistance for Needy Families (previously known as AFDC), a state benefit also known as welfare.

## Teacher Tips

### Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	<b>Review</b> the online demo of TaxSlayer on Income.	<b>TaxSlayer® Demo:</b> From the Practice Lab, select: <ul style="list-style-type: none"> <li>• TaxSlayer IRS training</li> <li>• Click the appropriate demo</li> </ul>
Provide details and engage the students	<p><b>Discuss</b> all tips and cautions in detail.</p> <p><b>Ask</b> students to read and/or role-play examples and sample interviews.</p> <p><b>Review</b> answers to each exercise; ask students how they arrived at their answers.</p>	<p><b>Internet:</b> Link &amp; Learn Taxes (L&amp;LT) Credit for Child and Dependent Care Expenses</p>

### Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	<p><b>Review</b> lesson objectives.</p> <p><b>Discuss</b> this lesson is one of eight lessons that cover the Tax and Credits section of the return.</p> <p><b>Review</b> the list of references.</p> <p><b>State</b> the presentation time.</p>	<p><b>Visuals:</b>  <a href="#">Form 13614-C</a>, Page 2, Part IV  <a href="#">Form 1040</a>, line 49  <a href="#">Form 13614-C</a>, Parts II and IV                      Pub 4012, Nonrefundable Credits and Earned Income Credit tabs</p>

### Child and Dependent Care Credit

**Review** L&LT topic Child and Dependent Care Credit.

**Review** with students child and dependent care:

- Tax credit for work-related dependent care expenses
- Have a qualifying person
- Credit is 20%-35% of qualifying expenses

**Caution** students not to confuse this credit with the child tax credit.

**Prompt** students to use Form 13614-C, Page 2, Part IV to ask whether the taxpayer paid for any type of dependent care.

**Ask:** If the amount of a nonrefundable credit exceeds the tax liability, can the taxpayer get a refund of the difference?

**Answer:** No, the nonrefundable credit can reduce the tax liability no further than zero.

**Ask:** What does a taxpayer who receives employer-provided dependent care benefits have to do?

**Answer:** Complete Form 2441 to determine if they can exclude all or part of these benefits from their taxable income. Be sure Part III of Form 2441 is completed.

**Display** the tax forms used to claim this nonrefundable credit.

### Visuals:

[Form 13614-C](#), Page 2, Part IV

[Form W-2](#), box 10

[Form 1040](#), Line 49

[Form 2441](#), Part III

Pub 4012, , Nonrefundable Credits tab:

- [Nonrefundable Credits](#)
- [Form 2441 – Credit for Child and Dependent Care Expenses](#)

### Internet:

L&LT Credit for Child and Dependent Care Expenses, Child and Dependent Care Credit

FAQ: [Can I claim both the child tax credit and the child and dependent care credit?](#)

FAQs: [Child and Dependent Care Credit & Flexible Benefit Plans](#)

Determining  
Taxpayer  
Eligibility  
Five Eligibility  
Tests

**Review** L&LT topic Determining Taxpayer Eligibility.

**Refer** students to Pub 4012, Child and Dependent Care Credit Expenses Tip to determine who is a qualifying person.

**Refer** students to Pub 4012, Credit for Child & Dependent Care Expenses – Decision Tree and review the five tests that must be passed to claim the credit.

**Ask:** Does a child have to be the taxpayer's dependent to qualify for this credit? **Answer:** In most cases yes. There are some exceptions including children of divorced or separated parents.

**Refer** students to Pub 17 special rules for children of divorced or separated parents.

**Emphasize** that only the parent with whom the child lives can take this credit.

**Refer** students to Pub 4012, Earned Income Table for a list of earned income.

**Ask:** Can taxpayers with no taxable income claim this credit? **Answer:** No.

**Prompt** students to give examples of childcare expenses that do not qualify for the credit.

**Ask:** Can taxpayers who use the Married Filing Separately filing status claim this credit? **Answer:** No.

**Visual:**

[Form 13614-C](#), Page 2, Part IV

Pub 4012, Nonrefundable Credits tab:

- [Child & Dependent Care Expenses Tip](#)
- [Credit for Child & Dependent Care Expenses – Decision Tree](#)

Pub 4012, Earned Income Credit tab, [Earned Income Table](#)

[Pub 17](#), Chapter 32, Child and Dependent Care Credit, Child of Divorced or Separated Parents or Parents Living Apart

**Internet:**

L&LT Credit for Child and Dependent Care Expenses, Determining Taxpayer Eligibility, Five Eligibility Tests

Tax Map: [FAQ: Lived apart... not divorced... can I claim child care expenses?](#)

**TaxSlayer Demo:**

To enter child and dependent care, click on Begin on the Child Care Credit line from the Credits page.

Determining the Amount of the Credit	<p><b>Review</b> L&amp;LT topic Determining the Amount of the Credit.</p> <p><b>Remind</b> students that taxpayers must use due diligence to obtain child care provider information.</p> <p><b>Review</b> Form 2441.</p> <p><b>Demonstrate</b> TaxSlayer Basic Info section, box 6c.</p> <p><b>Remind</b> students that if the taxpayer received employer-paid benefits, complete Form 2441, Part III before Part II.</p>	<p><b>Visuals:</b></p> <p><a href="#">Form 2441</a></p> <p><a href="#">Form W-2</a>, box 10</p> <p>Pub 4012, Nonrefundable Credits tab:</p> <ul style="list-style-type: none"><li>• <a href="#">Nonrefundable Credits</a></li><li>• <a href="#">Form 2441 – Credit for Child and Dependent Care Expenses</a></li></ul>
Avoiding Common Errors	<p><b>Review</b> L&amp;LT topic Avoiding Common Errors.</p> <p><b>Remind</b> students to:</p> <ul style="list-style-type: none"><li>• Verify Form 13614-C, Part IV shows box for child/dependent care is checked</li><li>• Double-check all entries</li><li>• Check that Form 2441, Part III is completed if taxpayer's Form W-2 shows an amount in box 10</li></ul>	<p><b>Visuals:</b></p> <p><a href="#">Form 13614-C</a>, Page 2, Part IV</p> <p><a href="#">Form 2441</a></p>
Skills Workout	<p><b>Review</b> the lesson Certification Warm Up with the class.</p>	<p><b>Visuals:</b></p> <p>L&amp;LT Credit for Child and Dependent Care Expenses: Click Certification Warm Up icon to review Exercises</p>
Practice	<p><b>Select</b> the practice exercise on Form 2441 and Form 1040 line 49.</p> <p><b>Ask</b> students to select the problem based on their certification course of study.</p> <p><b>Verify</b> they have correctly entered the credit for child and dependent care expenses.</p>	<p><a href="#">Publication 4491-W Basic Comprehensive Problem and Practice Exercises</a></p> <p><a href="#">Publication 4491-W Advanced Comprehensive Problem and Practice Exercises</a></p>

### References

Form 1040	<a href="#">Form 1040</a> , Line 49
Form 2441	<a href="#">Form 2441, Child and Dependent Care Expenses</a>
Form 13614-C	<a href="#">Form 13614-C</a> , Intake/Interview & Quality Review Sheet, Parts II and IV
Pub 4012	Pub 4012, Volunteer Resource Guide, Nonrefundable Credits and Earned Income Credit tabs <a href="#">Child and Dependent Care Credit Expenses</a> <a href="#">Credit for Child &amp; Dependent Care Expenses – Decision Tree</a> <a href="#">Earned Income Table</a> <a href="#">Nonrefundable Credits</a> <a href="#">Form 2441 – Credit for Child and Dependent Care Expenses</a>
Pub 17	<a href="#">Pub 17</a> , Chapter 32, Child and Dependent Care Credit
Pub 4491-W	<a href="#">Pub 4491-W</a> – Basic-Advanced comprehensive problem, practice exercise(s) or supplements for Form 2441 and Form 1040, line 49

### Optional

Form 1040 Instructions	<a href="#">Form 1040 Instructions</a> , Line 49
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### Recommended Classroom Activities



**Skills  
Workout**



**Certification  
Warm Up**



**Media: Videos  
& Audio**



**TaxSlayer  
Tutorial**



**Job Aids**



**Practice  
Lab**



#### **Skills Workout: Link & Learn Taxes Credit for Child and Dependent Care Expenses**

Click Skills Workout for a new way to access Link & Learn Taxes Credit for Child and Dependent Care Expenses.



#### **Certification Warm Up – Summary and Exercises**

Click Certification Warm Up for a new way to access the Exercises in Link & Learn Taxes Credit for Child and Dependent Care Expenses.



### Media: Video & Audio for Lesson

There is no media associated with this lesson.



### TaxSlayer Tips and Resources for Lesson

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#### Practice Lab Tutorial

1. Link to the [Practice Lab](#).
  2. Enter the universal password (if you do not have the password, you can request it from your site coordinator or SPEC relationship manager).
  3. Sign in to Practice Lab or create an account.
  4. Select the appropriate tutorial.
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### Job Aids

#### ITA and FAQs for Lesson

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#### FAQs

#### Child and Dependent Care Credit & Flexible Benefit Plans

<http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Childcare-Credit,-Other-Credits/Child-and-Dependent-Care-Credit-&-Flexible-Benefit-Plans>

Can I claim both the child tax credit and the child and dependent care credit?

<http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Childcare-Credit,-Other-Credits/Child-Tax-Credit/Child-Tax-Credit-3>

Can I claim the credit for the elderly or the permanently and totally disabled?

<http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Child-Care-Credit,-Other-Credits/Credit-for-the-Elderly-or-the-Disabled/Credit-for-the-Elderly-or-the-Disabled>

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### Practice Lab

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#### Practice Lab

<https://vita.taxslayerpro.com/IRSTraining/>

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