

Child and Dependent Care Credit Expenses

In 2021, for the first time, the credit is fully refundable if the taxpayer, or the taxpayer's spouse if married filing jointly, had a principal place of abode in the United States for more than one-half of 2021. This means that an eligible family can get it, even if they owe no federal income tax.

Probe/Action: To determine if a taxpayer qualifies for the Credit for Child and Dependent Care Expenses, ask the taxpayer for information from the screening sheet on the next page.

Who is a qualifying person?

- A qualifying child who was under the age of 13 when the expenses were incurred and who can be claimed as a dependent, see the first caution below.
- Any person who was incapable of self-care* whom the taxpayer can claim as a dependent or could've been claimed as a dependent except that the person had gross income of more than \$4,300 or filed a joint return or that the taxpayer or spouse, if married filing jointly, could be claimed as a dependent on someone else's 2021 return.
- A spouse who was physically or mentally incapable of self-care*.

*Incapable of self-care - persons who can't dress, clean, or feed themselves. Also, persons who must have constant attention to prevent them from injuring themselves or others.

The qualifying person must live with the taxpayer more than 1/2 the year.

See Publication 503, Child and Dependent Care Expenses, for special rules regarding divorced or separated parents or parents who live apart.

Qualified work-related expenses

- Expenses must be paid for the care of the qualifying person to allow the taxpayer and spouse, if married, to work or look for work.
- The care includes the costs of services for the qualifying person's well-being and protection.
- Expenses to attend kindergarten or a higher grade aren't an expense for care.
- Expenses for summer day-camp are qualifying, but those for overnight camp aren't.

Refer to Tab C, Dependents, for the rules governing who may be claimed as a dependent.



Only the custodial parent may claim the child and dependent care credit even if the child is being claimed as a dependent by the noncustodial parent under the rules for divorced or separated parents.



If Dependent Care Benefits are listed in Box 10 of a Form W-2, Wage and Tax Statement, then the taxpayer **MUST** complete Form 2441, Child and Dependent Care Expenses. If Form 2441 isn't completed, the Box 10 amount is added as taxable wages. For tax year 2021 only, the exclusion for employer provided dependent care assistance has increased from \$5,000 to \$10,500.

Note: If the qualifying child turned 13 during the tax year, the qualifying expenses include amounts incurred for the child while under age 13 when the care was provided.



Dependent care benefits can include amounts paid for items other than the care of your child (such as food and schooling) only if the items are incidental to the care of the child and can't be separated from the total cost.

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 CAN'T 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 Tab I, Earned Income Credit.	YES – Go to Step 3 NO – You CAN'T 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 CAN'T 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 CAN'T 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 CAN'T 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 CAN'T 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 CAN'T claim the child and dependent care credit ²
step 10	Do you know the care provider's name, address, and identifying number? Or did you make a reasonable effort to get this information? (See Due Diligence in Publication 503.)	YES – Go to Step 11 NO – You CAN'T claim the child and dependent care credit ²
step 11	Did you have only one qualifying person and exclude or deduct at least \$8,000 of dependent care benefits? ³	YES – You CAN'T claim the child and dependent care credit ² NO – You CAN claim the child and dependent care credit. Fill out Form 2441

Footnotes

¹ Your spouse is treated as having earned income for any month that he or she is a full-time student, or physically or mentally not able to care for himself or herself. (Your spouse also must live with you for more than half the year.) If the taxpayer's spouse died during the year and he/she files a return as a surviving spouse, the taxpayer may, but isn't required to, take into account the earned income of the spouse who died during the year.

² If you had expenses that met the requirements for 2020, except that you didn't pay them until 2021, you may be able to claim those expenses in 2021.

³ If two or more, the amount you can exclude or deduct is limited to a total of \$16,000.