Are Your Child Care Expenses Deductible?

Parkers Prairie Tax Service ~ Parkers Prairie, MN

When trying to cut costs during these hard economic times, it is unlikely that your child care expenses can be reduced. Luckily, there is the credit for child and dependent care expenses offered on your individual tax return. The credit can be up to 35 percent, depending upon your adjusted gross income, of up to $3,000 of your qualifying expenses.

In order to be eligible to receive the credit for child and dependent care expenses, the person receiving the care must be a qualifying person—either your dependent child under the age of 13 or certain other individuals who are physically or mentally incapable of self-care. Also, you must be the custodial guardian for the qualifying person and they must live with you most of the year, even if you do not claim them as an exemption. Only care provided while you (and your spouse) are either working or looking for work qualifies. If you are married, you must file a joint return in order to file for the credit. In order to claim the credit, you (and your spouse) must have earned income from wages, salaries, tips or net earnings from self-employment. One spouse can be exempt from having earned income if he or she were a full-time student or were physically or mentally unable to care for him or herself.

Another qualification that must be met in order to receive the credit is that a qualified caregiver must provide the dependent care. Spouses, dependents and children under 19 are not qualified caregivers. At the end of the year, most caregivers will provide a statement with their federal employer ID number (EIN) or social security number (SSN), full name, address, and amount paid. All of this information is necessary for your tax return. If you do not receive a statement at the end of the year with this information, you should request this information prior to bringing your information to your tax preparer.

If your employer provides a dependent care benefit, the benefit amount reduces the amount of credit available on your tax return. If you pay someone to come to your home and provide care, you may be considered a household employer in which case additional forms need to be included with your tax return.

This article contains general tax information for taxpayers. Each tax situation may be different, so do not rely upon this information as your sole source of authority. Contact Jessica at Parkers prairie Tax Service for professional advice for your tax situation. Jessica is an expert who keeps current on tax law changes as well as a member of the National Association of Tax Professionals. Visit “Contact Us” on our website for contact information.

**