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Dependent Care Credit

Who can claim daycare expenses and how much is the credit?



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Qualification & Rules

The care must have been provided for a qualifying person who is a dependent age 12 or younger or a

spouse or other dependent who is disabled. The care must be provided so that you and your spouse (if a joint return) could work.

For joint returns, **BOTH spouses must have wages or self-employment income. One spouse may be considered as having earned income if they were a full time student or were disabled.**

Payment cannot be paid to a spouse, parent of the qualifying person, or child under 19. The child for whom the care is provided must have lived with the taxpayer for more than 1/2 the year (with some exceptions). If you are claiming the dependent care credit, whomever you paid the money to **MUST** be claiming the income on their business or personal tax return. If you pay a nanny or an in-house caretaker - employment taxes may be due.

Calculation:

The credit can be up to 50% of qualifying care in 2021. This credit is refundable for 2021.

The maximum amount paid for care in 2021 equals \$8000 for one child & \$16,000 for two or more children.

The qualifying expense is reduced by any pre-tax dependent care benefits withheld from the taxpayer's wages by the taxpayer's employer.

The credit gradually phases out to a minimum 20% of qualifying care expenses paid at certain income levels.



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