

Due Diligence Child and Dependent Care Credit

If your client paid someone to care for their child, spouse, or dependent last year, they may be able to claim the Child and Dependent Care Credit on their federal income tax return. Below are 10 things the IRS wants you to know about claiming a credit for child and dependent care expenses.

1. The care must have been provided for one or more qualifying persons. A qualifying person is the client's dependent child age 12 or younger when the care was provided. Additionally, the spouse and certain other individuals who are physically or mentally incapable of self-care may also be qualifying persons. Each qualifying person must be identified on the tax return.
2. The care must have been provided so the client – and spouse if married filing jointly – could work or look for work.
3. The client – and spouse if filing jointly – must have earned income from wages, salaries, tips, other taxable employee compensation or net earnings from self-employment. One spouse may be considered as having earned income if they were a full-time student or were physically or mentally unable to care for themselves.
4. The payments for care cannot be paid to the spouse, to the parent of the qualifying person, to someone the client can claim as a dependent on their return, or to the client's child who will not be age 19 or older by the end of the year even if he or she is not the client's dependent. The care provider(s) must be identified on the tax return.
5. The filing status on the tax return must be single, married filing jointly, head of household or qualifying widow(er) with a dependent child.
6. The qualifying person must have lived with the taxpayer for more than half of 2010. There are exceptions for the birth or death of a qualifying person, or a child of divorced or separated parents. See Publication 503, Child and Dependent Care Expenses.
7. The credit can be up to 35 percent of your qualifying expenses, depending upon adjusted gross income.
8. For 2010, you may use up to \$3,000 of expenses paid in a year for one qualifying individual or \$6,000 for two or more qualifying individuals to figure the credit.
9. The qualifying expenses must be reduced by the amount of any dependent care benefits provided by your employer that you deduct or exclude from your income.
10. If you pay someone to come to your home and care for your dependent or spouse, you may be a household employer and may have to withhold and pay social security and Medicare tax and pay federal unemployment tax. See Publication 926, Household Employer's Tax Guide.

For more information on the Child and Dependent Care Credit, see Publication 503, Child and Dependent Care Expenses. You may download these free publications from <http://www.irs.gov> or order them by calling 800-TAX-FORM (800-829-3676).

Links:

- Publication 503, Child and Dependent Care Expenses ([PDF 167K](#))
- Form W-10, Dependent Care Provider's Identification and Certification ([PDF 31K](#))
- Form 2441, Child and Dependent Care Expenses ([PDF](#))

- Form 2441 Instructions ([PDF 32K](#))
- Publication 17, Your Federal Income Tax ([PDF 2,075K](#))
- [Tax Topic 602](#)
- [Publication 926](#), Household Employer's Tax Guide