

General Instructions

A. Who May Claim This Deduction.—If you maintain a household which includes as a member one or more qualifying individuals (see Specific Instructions for Line 1), you may be allowed a deduction for employment-related expenses PAID during the taxable year.

You will be treated as maintaining a household for any year only if you furnish over half the cost of maintaining the household for such year. If you are married for a year, you and your spouse must provide over half of the maintenance cost for such year.

The expenses of maintaining a household include property taxes, mortgage interest, rent, utility charges, upkeep and repairs, property insurance, and food consumed on the premises. Such expenses do not include the cost of clothing, education, medical treatment, vacations, life insurance, and transportation.

B. Employment-related Expenses.—The term "employment-related expenses" means amounts paid for the following expenses, but only if such expenses are incurred to enable you to be gainfully employed:

(1) *Expenses for household services.*—Expenses will be considered for household services in your home if they are the ordinary and usual services necessary to the operation of the home, and bear some relationship to the qualifying individual. Thus, amounts paid for the services of a domestic maid or cook will ordinarily be considered to be expenses paid for household services if the services performed benefit at least in part the qualifying individual. Amounts paid for the services of an individual who is employed predominantly as a chauffeur, bartender, or gardener will not be considered to be expenses paid for household services.

(2) *Expenses for the care of a qualifying individual.*—Expenses will be considered for the care of one or more qualifying individuals if the main purpose was to assure such individual's well-being and protection. Amounts paid for food, clothing, or education are not expenses paid for the care of a qualifying individual. However, where the care provided includes such expenses which can not be separated, the full amount paid will be considered for care of the qualifying individual. Thus, the full amount paid to a nursery school will be considered to be for the care of a child, even though the school also furnishes lunch. Educational expenses incurred for a child in the first or higher grade level are not expenses for the care of the child.

C. Special Rules.—

(1) *Married couples must file joint returns.*—If you are married at the end of the taxable year, the deduction for employment-related expenses shall be allowed only if you and your spouse file a joint return for the taxable year.

(2) *Gainful employment requirement.*—If you are married for any period during the taxable year, there shall be taken into account employment-related expenses incurred during any month of such period only if:

- Both you and your spouse are gainfully employed on a substantially (three-quarters or more of the normal or customary work week or the equivalent during the month) full-time basis, or actually seeking gainful employment, or
- Your spouse is physically or mentally incapable of caring for himself.

Self-employment is considered gainful employment for purpose of this deduction.

(3) *Payments to a related individual.*—Payments made to a relative of yours or your spouse (except for a cousin and any relative not listed below) or a dependent household member may not be included in the computation of your deduction. For this exclusion, a relative of yours or your spouse includes: Son or daughter and their descendants, stepson or stepdaughter, brother, sister, stepbrother, step-sister, father or mother and their ancestors, stepfather, stepmother, nephew, niece, uncle, aunt, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

D. Child Care Deduction vs. Medical Expenses Deduction.—If an expense can qualify as both employment-related and medical,

you may treat such expense either way as long as it is not deducted twice. If you treat the expense as employment-related, then any part of it that you can not deduct because of the maximum \$400 monthly limitation can be treated as part of your medical expenses.

If you elect to treat the expense as medical, then the part of it that is not deductible because of the 3% medical deduction floor can not be used as part of your employment-related expenses.

E. Short-year Filers.—If your return covers a period of less than 12 months, consult an Internal Revenue Office for information concerning computation of limitations.

F. Marital Status.—If you are married, but not living with your spouse at the end of your taxable year, consult an Internal Revenue Office to determine if the rules regarding married couples pertain to you.

G. Publication 503.—For more information, get Publication 503, Child Care and Disabled Dependent Care.

Specific Instructions

Line 1.—Enter employment-related expenses you incurred each month for the following qualifying individuals:

- A dependent who is under the age of 15 and with respect to whom you are entitled to a deduction for a dependency exemption. You should enter the expenses for such a dependent on Line 1(a) even though he also qualifies as a disabled dependent, as described in (b) below.
- A person who is physically or mentally incapable of caring for himself and with respect to whom you either:
 - are entitled to a deduction for a dependency exemption (but if such person is under the age of 15 you should enter the expenses for him on Line 1(a), instead of on this line); or
 - would be entitled to a deduction for a dependency exemption except for the fact that he had \$750 or more of gross income.
- Your spouse, if he is physically or mentally incapable of caring for himself.

All of the monthly employment-related expenses incurred for household services are to be entered on Line 1(a) if the expenses for household services benefited a dependent under 15 years of age. This rule applies even though the expenses also benefited a disabled dependent, a disabled spouse, or a non-qualifying individual. Thus, a taxpayer would consider all the monthly wages incurred for the services of a housekeeper who cares for his children, ages 9 and 16 years, cares for his disabled spouse, and performs regular household services of cleaning and cooking, as an employment-related expense includable on Line 1(a).

If the services of the housekeeper were for two or more incapacitated qualifying individuals (none of whom are under 15 years of age), the wages incurred would be divided equally among the incapacitated individuals, see example under Specific Instructions for Lines 4 and 5.

If the monthly employment-related expenses incurred for household expenses benefited a qualifying individual, do not allocate any part of the expenses to non-qualifying individuals.

Whether a person is a qualifying individual will be determined on a daily basis. For example, if your dependent or spouse for whom employment-related expenses were incurred ceases to be a qualifying individual on September 16, the dependent or spouse will be treated as a qualifying individual through September 15 only.

Line 2.—Employment-related expenses which are incurred for services outside your household, such as a nursery school, shall be taken into account if incurred for the care of a dependent under the age of 15 for whom you are entitled to claim a dependency exemption, subject to the following limitations for each month:

- \$200, in the case of one such individual,
- \$300, in the case of two such individuals, and

(3) \$400; in the case of three or more such individuals.

Lines 4 and 5.—Reduction for Certain Payments.—If employment-related expenses were incurred during the month solely for a physically or mentally incapable dependent (see Line 1(b)) or for your disabled spouse (see Line 1(c)) the amount of such expenses shall be reduced as follows:

- Disabled dependent—by his adjusted gross income and disability payments received during the taxable year which exceed \$750 allocable to such month,
- Disabled spouse—by his disability payments received during the taxable year, allocable to such month.

If you have more than one qualifying individual in either category and for at least one such individual a reduction in employment-related expenses will be required on line 4 or line 5, you should complete lines 1-7 of separate Forms 2441 for each qualifying individual in such category. The amounts on line 7 of the separate Forms 2441 should be totaled and entered on line 7 of Form 2441. Also write "See separate Forms 2441" in the bottom margin.

The term "disability payment" means a payment (other than a gift) which is made on account of the physical or mental condition of an individual and which is not included in gross income.

Example—A taxpayer has a dependent, over 15 years of age, and a wife both of whom are physically incapable of caring for themselves. He incurs monthly employment-related expenses of \$50 solely attributable to the care of the dependent, of \$100 solely attributable to the care of his wife, and of \$150 for household services equally attributable to both the dependent and wife. The \$150 of monthly household expenses must be allocated one-half to the dependent and one-half to the wife. Accordingly, monthly employment-related expenses of \$125 are attributable to the dependent, and monthly employment-related expenses of \$175 are attributable to the wife. The monthly expenses attributable to each must be reduced as provided in Line 4 and Line 5.

Line 8.—The \$400 amounts entered on Line 8 give effect to the limitation on the amount deductible for each month. A deduction shall be allowed for employment-related expenses INCURRED during any month. Incurred means owed for payment, whether or not paid. However, the expenses to be deductible must be paid during your taxable year and must be within the limitations.

Line 10.—If your adjusted gross income is less than \$18,000, enter "0" on this line. If your adjusted gross income exceeds \$18,000 for the taxable year during which the expenses are incurred, the amount of the employment-related expenses incurred during any month of the taxable year shall be reduced by one-half the excess of the adjusted gross income over \$18,000 properly allocated to such month. If you are married during any period of the taxable year, there shall be taken into account the combined adjusted gross income of you and your spouse for such period.

Line 13.—If in a prior year, you paid for an employment-related expense that was not incurred until this year, you should consider the payment in the prior year as being paid during this year in the month in which the expense was incurred.

Line 15.—Household and dependent care expenses incurred in 1972 may be deductible in 1973. If you paid for expenses in 1973 which were incurred in 1972, a deduction is allowable if you meet the deductibility requirements for the month in which the expenses were incurred.

Example—In December 1972, you incurred employment-related expenses of \$600 for your 14 year old dependent. You paid \$300 of the expenses in 1972 and \$300 of the expenses in 1973. You and your spouse's combined adjusted gross income was \$17,000 in 1972. You would be allowed a \$100 deduction on line 15 for 1973 computed as follows:

Household and dependent care expenses incurred in 1972.....	\$600
Monthly limitation.....	\$400
Income limitation.....	—0—
Deduction.....	\$400
Less deduction 1972.....	\$300
Deduction 1973.....	\$100