## Computation of deduction for household and dependent care services

1. Monthly amounts incurred for employment-related expenses in the household (see General Instruction B and Specific Instructions for Line 1):
   - (a) Dependent under 15 years of age.
   - (b) Disabled dependent.
   - (c) Disabled spouse.

2. Monthly amounts incurred for services outside the household for care of a dependent(s) under 15 years of age. Enter lesser of amount incurred or $200 for one, $300 for two, or $400 for three or more.

3. Total (add lines 1(a), 1(b), 1(c), and 2).

4. If you entered employment-related expenses for a disabled dependent on line 1(b), above, and the combined amount of adjusted gross income and disability payments received this year by that dependent is in excess of $750, divide the excess over $750 by the number of months for which you have listed amounts on line 1(b). Enter this result or the monthly amount on line 1(b), whichever is smaller, in each monthly column in which an amount is listed on line 1(b) (see Specific Instructions for Lines 4 and 5).

5. If you entered employment-related expenses for a disabled spouse on line 1(c), above, and your disabled spouse received disability payments, divide the total disability payments received this year by the number of months for which you have listed amounts on line 1(c). Enter this result or the monthly amount on line 1(c), whichever is smaller, in each monthly column in which an amount is listed on line 1(c) (see Specific Instructions for Lines 4 and 5).

6. Total (add lines 4 and 5).

7. Subtract line 6 from line 3.


9. Enter lesser of line 7 or line 8.

10. If your adjusted gross income (line 15, Form 1040) is larger than $18,000, divide the amount over $18,000 by 24. Enter this result in each monthly column in which you have an amount listed on line 3.

11. Subtract line 10 from line 9. If line 10 is greater than line 9, enter "0".

12. Add amounts on line 11 and enter total here.

13. Total amounts listed on line 11 paid during this taxable year or a prior taxable year (see Specific Instructions for Line 13).

14. Enter lesser of line 12 or line 13.

15. Deductible household and dependent care expenses incurred in prior taxable year not paid until this taxable year (attach schedule showing computation of deduction—see Specific Instructions for Line 15).

16. Allowable deduction this taxable year (add lines 14 and 15). Enter total here and include on line 32 of Schedule A, Form 1040.
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), you may be allocated an amount equal to employment-related expenses PAID during the taxable year.

You will be treated as maintaining a household when you pay more than half of 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 costs for your household.

The expenses of maintaining a household include property taxes, mortgage interest, rent, utility charges, upkeep and repairs, property insurance, and the cost of replacing the premises. Such expenses do not include the cost of clothing, education, medical treatment, vacations, or 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 fully 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 care of children and for personal services 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 they are paid for the care of such individual's well-being and protection. Amounts paid for food, clothing, or education are not considered to be expenses paid for the care of a qualifying individual. Where the care provided includes such expenses which can not be separated, the full amount paid will be considered for the care of all the qualifying individuals. Thus, the full amount paid for 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) Special rules 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.

(2) Gaintful 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:

(a) Both you and your spouse are gainfully employed on a substantially full-time basis (full-time, part-time, or any combination of full-time and part-time not to exceed 50 hours per week in any calendar month) by any employer for whom you or your spouse or any member of the household is regularly seeking gainful employment, or

(b) Your spouse is physically or mentally incapable of caring for himself.

D. Self-employed or gainfully employed purpose for this deduction.

(3) Payments to a related individual.—Payments made to a relative of yours or your spouse's for a service for a consortium of a related individual of the household member may not be included in the computation of this deduction. For this exclusion, a relative of yours or your spouse includes your parent or any other individual, including or not including, a 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

In addition, as both employment-related and medical, you may treat such expenses either way as long as it is not deducted twice. If you treat the expenses as employment-related, the deduction is 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 treat the expenses 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 Filing.—If your return covers a period of less than 12 months, consult an Internal Revenue Service publication concerning computation of limitations.

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

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

Specific Instructions

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

(a) A dependent who is under the age of 15 and with respect to whom you are entitled to claim a dependency exemption. You should enter the expenses for such a dependent on Line 1(a), instead of on this line; or

(b) A dependent who is physically or mentally incapable of caring for himself and with respect to whom you either:

(i) Are entitled to a deduction for a dependent who is physically or mentally incapable of caring for himself (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

(ii) Are entitled to a deduction for a dependency exemption except for the fact that he had $750 or more of earned income;

The term "dependency exemption" means the amount of earned income which is less than $10. In order to qualify for the dependency exemption, the individual must have earned income of at least $10. The amount of earned income is more than $10. In order to qualify for the dependency exemption, the individual must have earned income of at least $10. The amount of earned income is more than $10.

The term "incapacitated" means a person who is physically or mentally incapable of caring for himself, and with respect to whom you either:

(i) Are entitled to a deduction for a dependent who is physically or mentally incapable of caring for himself; or

(ii) Are entitled to a deduction for a dependency exemption except for the fact that he had $750 or more of earned income in the year of the dependency exemption.

(c) Your spouse, if he is physically or mentally incapacitated for caring for himself and is entitled to a deduction for a dependent who is physically or mentally incapable of caring for himself.

All of the monthly employment-related expenses 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 dependent is a disabled dependent, a disabled spouse, or a non-qualifying individual. Thus, a taxpayer who is entitled to claim a deduction for the services of a housekeeper who cares for his children, ages 9 and 16 years, can claim a deduction for the services of a housekeeper who cares for his 16-year-old child, and regular household expenses for the housekeeper, and non-employment-related expenses for the housekeeper, on Line 1(a).

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 individuals. See example under Specific Instructions for Lines 4 and 5.

If the monthly employment-related expenses incurred for household services benefited a dependent individual who is under 15 years of age, the amount of the employment-related expenses incurred for household services is limited to $125 attributable to the dependent and monthly employment-related expenses of $175 attributable to the housekeeper. The monthly employment-related expenses of $175 attributable to the housekeeper are deductible only if more than $125 of these expenses are attributable to the dependent.

Example.—A taxpayer has a dependent, over 15 years of age, and a non-qualifying individual who are both of whom are physically incapable of caring for themselves. On Line 4 of Form 2441, the taxpayer should complete lines 1 through 7 of the separate Form 2441 for each qualifying individual for the year. If the dependent's share of $175 attributable to the dependent is more than $125 attributable to the dependent, the excess amount over $125 attributable to the dependent is deductible only if more than $125 of these expenses are attributable to the dependent.

Specific Instructions

Line 2.—Enter employment-related expenses which are incurred for services outside your household for a qualifying individual. If you are entitled to pay a claim for such individual during the year, you are subject to the following limitations for each month:

(1) $200, in the case of one such individual, and

(2) $300, in the case of two such individuals, and

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

Line 3.—Reduce for Certain Payments.—If employment-related expenses were incurred during the month solely for a physical or mental condition, for the treatment of which the expenses were incurred, you should enter the amount of such expenses which shall be reduced as follows:

(a) Disabled beneficiary—by his adjusted gross income and disability payments received during the taxable year which have been excluded from his income for the taxable year,

(b) Disabled spouse—by his disability payments received during the taxable year, allocable to such spouse, which have been excluded from his income for the taxable year;

If you have more than one qualifying individual in either category and for at least one such individual a reduction in employment-related expenses is applicable, you should complete lines 1 through 7 of separate Form 2441 for each qualifying individual. If the total of 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 Form 2441" in the bottom margin of line 7.

The employment-related expenses included in the amount paid to the care of your spouse and child who are physically or mentally incapacitated are not deductible.

Example.—A taxpayer has a dependent over 15 years of age and a non-qualifying individual who are both of whom are physically incapable of caring for themselves. He incurs monthly employment-related expenses of $100 for the dependent, of $150 for household services equally attributable to both the dependent and the non-qualifying individual. The $150 of household expenses must be allocated one-half to the dependent and one-half to the non-qualifying individual. Accordingly, monthly employment-related expenses of $125 are attributable to the dependent, and monthly employment-related expenses of $175 are attributable to the non-qualifying individual. The monthly employment-related expenses of $175 attributable to the non-qualifying individual should be reduced by the amount of the $125 attributable to the dependent.