

▶ Attach to Form 1040.

▶ See Instructions below.

Name(s) as shown on Form 1040	Your social security number
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1 See the definition for "qualifying person" in the instructions. Then read the instructions for line 1.

(d) During 1978, the person lived with you for:

(a) Name of qualifying person	(b) Date of birth	(c) Relationship	(d) During 1978, the person lived with you for:	
			Months	Days

2 Persons or organizations who cared for those listed on line 1. See the instructions for line 2.

(a) Name and address (If more space is needed, attach schedule)	(b) Social security number, if applicable	(c) Relationship, if any	(d) Period of care		(e) Amount of 1978 ex- penses (include those not paid during the year)
			From Month—Day	To Month—Day	

**To Figure Your Credit, You MUST Complete ALL Lines That Apply**

3 Add the amounts in column 2(e) . . . . .	<b>3</b>		
4 Enter \$2,000 (\$4,000 if you listed two or more names in line 1) or amount on line 3, whichever is less . . . . .	<b>4</b>		
5 Earned income (wages, salaries, tips, etc.). See the instructions for line 5. An entry MUST be made on this line.	<b>5</b>		
(a) If unmarried at end of 1978, enter your earned income . . . . .	<b>5</b>	▶	
(b) If married at end of 1978, enter your earned income or your spouse's, whichever is less . . . . .			
6 Enter the amount on line 4 or line 5, whichever is less . . . . .	<b>6</b>		
7 Amount on line 6 paid during 1978. An entry MUST be made on this line . . . . .	<b>7</b>		
8 Child and dependent care expenses for 1977 paid in 1978. See instructions for line 8 . . . . .	<b>8</b>		
9 Add amounts on lines 7 and 8 . . . . .	<b>9</b>		
10 Multiply line 9 by 20 percent. This is your credit for child and dependent care expenses. Enter here and on Form 1040, line 40 . . . . .	<b>10</b>		

11 If payments listed on line 2 were made to an individual, complete the following:		<b>Yes</b>	<b>No</b>
(a) If payment of \$50 or more in a calendar quarter was made to an individual, were the services performed in your home? . . . . .	▶		
(b) If "Yes," have appropriate wage tax returns on wages for services in your home been filed (see instructions for line 11)? . . . . .	▶		
(c) If answer to (b) is "Yes," enter your employer identification number . . . . .	▶		

**General Instructions**

**What is the Child and Dependent Care Expenses Credit?**—This is a credit you can take against your tax if you paid someone to care for your child or dependent so that you could work or look for work. You can also take the credit if you paid someone to care for your spouse. The instructions that follow list conditions that must be met to take the credit. If you need more information, please get Publication 503, *Child Care and Disabled Dependent Care*.

For purposes of this credit, we have defined some of the terms used here. Refer to these when you read the instructions.

**Definitions**

**A qualifying person can be:**

- Any person under age 15 whom you claim as a dependent. (If you are divorced, legally separated, or separated under a written agreement, please see the Child Custody Test in the instructions.)
- Your spouse who is mentally or physically not able to care for himself or herself.

• Any person not able to care for himself or herself that you can claim as a dependent, or could claim as a dependent except that he or she had income of \$750 or more.

**A relative** is your child, stepchild, mother, father, grandparents, brother, sister, grandchild, uncle, aunt, nephew, niece, stepmother, stepfather, stepbrother, stepsister, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, and daughter-in-law. A cousin is not a relative.

**A full-time student** is one who was enrolled in a day school for the number of hours or classes that is considered full-time attendance. The student must have been enrolled at least 5 months during 1978.

**What Are Child and Dependent Care Expenses?**

These expenses are the amounts you paid for household services and care of the qualifying person.

**Household Services.**—These are services performed by a cook, housekeeper,

governess, maid, cleaning person, babysitter, etc. The services must have been needed to care for the qualifying person as well as run the home. For example, if you paid for the services of a maid or a cook, the services must have also been for the benefit of the qualifying person.

**Care of the Qualifying Person.**—For the purposes of this credit, care includes cost of services for the well-being and protection of the qualifying person.

Care does not include expenses for food and clothes. If you paid for care that included these items and you cannot separate their cost, claim the total payment.

**Example:** You paid a nursery school to care for your child and the school gave the child lunch. Since you cannot separate the cost of the lunch from the cost of the care, you can claim the entire amount that you paid to the school.

This example would not apply if you had educational costs for a child in the first grade or above because these costs cannot be included in figuring the credit.

You can claim care provided outside

(Continued on back)

your home if the care was for your dependent under age 15.

You can claim medical expenses you paid for the qualifying person if the expenses were required so you could work. If you itemized deductions, you may want to take all or part of these expenses on Schedule A. For example, if you can't take all of the medical expenses on Form 2441 because your costs for care have reached the limit (\$2,000 or \$4,000), you can claim the rest of the medical expenses on Schedule A. If you show all of the medical expenses on Schedule A, you cannot claim on Form 2441 that part which is not deductible on Schedule A because of the 3 percent limit.

**To Take This Credit.**—You must file Form 1040, not Form 1040A, and you meet all of the conditions listed below.

(1) It was necessary for you to make child and dependent care payments so you (and your spouse if you were married) could work or look for work.

(2) One or more qualifying persons lived in your home.

(3) You (and your spouse if you were married) paid more than half the cost of keeping up your home. This cost includes rent or mortgage payments; utility charges; maintenance and repairs; property taxes and property insurance; and food costs (but not dining out).

(4) You must file a joint return if you were married. There are two exceptions to this rule. You can file a separate return if:

- (a) You were legally separated; or
- (b) You were living apart and:

- The qualifying person lived in your home for more than 6 months; and
- You paid more than half the cost of keeping up your home; and
- Your spouse did not live in your home during the last 6 months of your tax year.

**Child Custody Test.**—If you were divorced, legally separated, or separated under a written agreement, your child is a qualifying person if you had custody for the longer period during 1978. The child must also have:

- Received over half of his or her support from the parents, and
- Been in the custody of one or both parents for more than half of 1978, and
- Been under 15, or physically or mentally unable to care for himself or herself.

(5) You paid someone, other than a dependent relative or your spouse, to care for the qualifying person.

You are allowed to pay a relative who was not your dependent if their services are considered employment for social security purposes. However, if the relative is your child, he or she must have been at least 21. If the relative is your parent, both of the following conditions must have been met for 4 continuous weeks during a calendar quarter:

(a) The qualifying person was your child under 18 or whose physical or mental condition required care by an adult.

(b) You were a widow(er) or divorced; or your spouse was physically or mentally unable to care for the child under 18.

**Credit Limitation.**—The credit is generally 20 percent of the amount you paid someone to care for the qualifying person. The most you can figure the credit on is \$2,000 a year for one qualifying person (\$4,000 for two or more).

### Line-by-Line Instructions

**Line 1.**—In column (a) list the name of each qualifying person who was cared for during 1978 so you could work. In column (b) show the date of birth of each person. In column (c) show that person's relationship to you (for example: son or daughter). In column (d) show the number of months and days each person lived in your home during 1978. Include only the times when the person was qualified.

**Line 2.**—In column (a) show the name and address of the person or organization who cared for each qualifying person. If you listed a person who was your employee and provided the care in your home, then in column (b) enter that person's social security number. Leave column (b) blank if: the person was not your employee; or was self-employed; an employee of an organization, or a partnership, or did not provide the care in your home.

In column (c) write none if the person who provided the care was not related to you. If the care was provided by a relative, show the relationship to you. See definition of relative on the front of the form.

In column (d) show the period of time each person or organization provided care.

In column (e) list amounts you paid or still owe for care provided in 1978.

**Line 3.**—Add the amounts in column 2(e) and enter the total.

**Line 4.**—Enter \$2,000 (\$4,000 if more than one person is listed in line 1) or the amount on line 3, whichever is less.

**Line 5.**—This line is used to figure your earned income. Generally, you can figure earned income using steps (a) through (e). If you are unmarried, enter your amounts from Form 1040 when they are needed for the steps below. If you are married, each spouse's earned income will have to be figured separately.

- (a) Enter one spouse's income from Form 1040, line 8 . . . \_\_\_\_\_
- (b) Enter the same spouse's net profit from Schedule C or Schedule F (Form 1040) . . . \_\_\_\_\_
- (c) Add the amounts from (a) and (b) . . . \_\_\_\_\_
- (d) Enter the same spouse's portion of income exclusion (spouse's portion of Form 1040, line 30) \_\_\_\_\_
- (e) Subtract (d) from (c). This is one spouse's earned income . . . \_\_\_\_\_

If you are unmarried, enter the amount from (e) on line 5. If you are married, go back and figure the other spouse's earned income using steps (a) through (e). Decide which spouse had the lower earned income. Enter that amount on line 5.

If your spouse was a full-time student at an educational organization or incapable of self-care, use the greater of your spouse's monthly earned income or \$166 (\$333 if you listed two qualifying persons on line 1(a)) to determine his or her total yearly income.

If, in the same month, both husband and wife were full-time students and did

not work, no amounts paid that month may be used to figure the credit. The same applies to a couple who did not work because both are incapable of self-care.

**Line 6.**—Enter the amount from line 4 or line 5, whichever is less.

**Line 7.**—How much of the amount on line 6 did you actually pay in 1978? Enter this amount on line 7. Do not list any amounts for 1978 that you did not pay until 1979.

**Line 8.**—If you had child and dependent care expenses for 1977 that were not paid until 1978, add them and enter on this line. Be sure it is not over your 1977 limit. Attach a sheet similar to the example below, showing how you figured the amount you are carrying over to 1978.

**Example:** In 1977 you had child care expenses of \$2,100 for your 12-year-old son. For one child, you were limited to \$2,000. Of the \$2,100, you paid \$1,800 in 1977 and \$300 in 1978. Your spouse's earned income of \$5,000 was less than your earned income. You would be allowed to figure a credit on \$200 in 1978, as follows:

(1) 1977 child care expenses paid in 1977 . . .	\$1,800
(2) 1977 child care expenses paid in 1978 . . .	300
(3) Total . . . . .	2,100
(4) Limit for one qualifying person . . . . .	2,000
(5) Earned income reported in 1977 . . . . .	5,000
(6) Smaller of lines 3, 4, and 5 . . . . .	2,000
(7) Subtract child care expenses on which credit was figured in 1977 . . . . .	1,800
(8) 1977 child care expenses carried over for credit this year (1978) . . . . .	\$ 200

**Line 9.**—Add lines 7 and 8 and write the total on line 9.

**Line 10.**—Multiply the amount on line 9 by 20 percent. Enter the result on this line and on Form 1040, line 40. This is your credit for child and dependent care expenses.

**Line 11.**—On line 11(a), check yes or no box if you paid cash wages for a household employee who performed services of a household nature in your home. In general, if you paid cash wages of \$50 or more in a calendar quarter for household services to a person such as a cook, housekeeper, governess, maid, cleaning person, babysitter, etc., you are required to file an employment tax return. If you are not sure whether you should file an employment tax return, ask the Internal Revenue Service or obtain Form 942, Employer's Quarterly Tax Return for Household Employees. **Note: Beginning in 1978, employees doing household duties are covered by the Federal Unemployment Tax Act (FUTA). If you paid \$1,000 or more for household duties in a calendar quarter in 1978, you should file Form 940, Employer's Annual Federal Unemployment Tax Return by January 31, 1979.**

In line 11(b), check yes or no box depending on whether or not you have filed Form 942, Employer's Quarterly Tax Return for Household Employees, for services performed in your home.

On line 11(c), enter your employer identification number. If you do not have a number, and are liable, file Form 942, and enter "none" in the space for "Employer identification number."