

**Credit for Child and Dependent Care Expenses**

**1984**  
**23**

▶ Attach to Form 1040.  
 ▶ See Instructions below.

Name(s) as shown on Form 1040 \_\_\_\_\_ Your social security number \_\_\_\_\_

- 1 Write the number of qualifying persons who were cared for in 1984. (See the instructions below for the definition of qualifying persons.)
- 2 If payments listed on line 3 were made to an individual, complete the following:
  - a If you paid \$50 or more in a calendar quarter to an individual, were the services performed in your home?
  - b If "Yes," have you filed appropriate wage tax returns on wages for services in your home (see instructions for line 2)?
  - c If the answer to b is "Yes," write your employer identification number.
- 3 Write the amount of qualified expenses you incurred and actually paid in 1984, but **do not** write more than \$2,400 (\$4,800 if you paid for the care of two or more qualifying persons)
- 4 You **must** write your earned income on line 4. See the instructions for line 4 for the definition of earned income.
  - If you were **unmarried** at the end of 1984, write your earned income on line 4, **OR**
  - If you are **married**, filing a joint return for 1984,
    - a write your earned income \$ \_\_\_\_\_, and
    - b write your spouse's earned income \$ \_\_\_\_\_, and
    - c compare amounts on lines 4a and 4b, and write the **smaller** of the two amounts on line 4.
- 5 Compare amounts on lines 3 and 4, and write the **smaller** of the two amounts on line 5.
- 6 Write the percentage from the table below that applies to the adjusted gross income on Form 1040, line 33.

1	Yes	No
2a		
2b		

2c		
3		
4		
5		
6		
7		
8		
9		

If line 33 is:		Percentage is:	If line 33 is:		Percentage is:
Over—	But not over—		Over—	But not over—	
0—\$10,000		30% (.30)	\$20,000—22,000		24% (.24)
\$10,000—12,000		29% (.29)	22,000—24,000		23% (.23)
12,000—14,000		28% (.28)	24,000—26,000		22% (.22)
14,000—16,000		27% (.27)	26,000—28,000		21% (.21)
16,000—18,000		26% (.26)	28,000		20% (.20)
18,000—20,000		25% (.25)			

- 7 Multiply the amount on line 5 by the percentage shown on line 6, and write the result.
- 8 Multiply any child and dependent care expenses for 1983 that you paid in 1984 by the percentage that applies to the adjusted gross income on Form 1040, line 33, for 1983. Write the result. (See line 8 instructions for the required statement.)
- 9 Add amounts on lines 7 and 8. Write the total here and on Form 1040, line 41. This is the maximum amount of your credit for child and dependent care expenses.

**General Instructions**

**Paperwork Reduction Act Notice.**—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

**What Is the Child and Dependent Care Expenses Credit?**

You may be able to take a tax credit for amounts you paid someone to care for your child or other qualifying person so you could work or look for work in 1984. The credit will lower the amount of your tax. The credit is based on a percentage of the amount you paid during the year. The most you may take as a credit is \$720 if you paid for the care of one qualifying person, or \$1,440 if you paid for the care of two or more qualifying persons.

**Additional information.**—For more information about the credit, please get **Publication 503**, Child and Dependent Care Credit, and Employment Taxes for Household Employers.

**Who Is a Qualifying Person?**

- A qualifying person is any one of the following persons:
- Any person under age 15 whom you claim as a dependent (but see the special rule later for **Children of divorced or separated parents**).
  - Your disabled spouse who is mentally or physically unable to care for himself or herself.
  - Any disabled person who is mentally or physically unable to care for himself or herself and whom you claim as a dependent, or could claim as a dependent except that he or she had income of \$1,000 or more.

**Children of divorced or separated parents.**

—If you were divorced, legally separated, or separated under a written agreement, you may be able to claim the credit even if your child is not your dependent. Your child is a qualifying person if **all four** of the following apply:

1. You had custody for the longer period during the year; and
2. The child received over half of his or her support from one or both of the parents; and
3. The child was in the custody of one or both of the parents over half of the year; and
4. The child was under age 15, or was physically or mentally unable to care for himself or herself.

(Continued on back)

## Who May Take the Credit?

To claim the credit **all five** of the following must apply:

1. You paid for the care so you (and your spouse if you were married) could work or look for work (but see the rules at the line 4 instructions for **Spouse who is a full-time student or is disabled**).
2. One or more qualifying persons lived in your home.
3. You (and your spouse if you were married) paid over half the cost of keeping up your home. The cost includes: rent; mortgage interest; property taxes; utilities; home repairs; and food eaten at home.
4. The person you paid to provide the care was not your spouse or a person you could claim as a dependent.

**Note:** *If the person you paid for the care was your child, he or she must have been 19 or over by the end of 1984.*

5. If you were married at the end of 1984, generally, you must file a joint tax return. However, there are two exceptions to this rule. You will be treated as unmarried and may file a separate return and still be eligible to take the credit if:

- a. You were legally separated; or
- b. You were living apart from your spouse, and:
  - The qualifying person lived in your home over 6 months, and
  - You provided over half the cost of keeping up your home, and
  - Your spouse did not live in your home during the last 6 months of the tax year.

## What Are Qualified Expenses?

Qualified expenses include amounts paid for household services and care of the qualifying person.

**Household services.**—These services must be needed to care for the qualifying person as well as to run the home. They include, for example, the services of a cook, maid, babysitter, housekeeper, governess, or cleaning person if the services were partly for the care of the qualifying person.

**Care of the qualifying person.**—Care includes the cost of services for the qualifying person's well-being and protection.

Generally, care does not include food or schooling expenses; but if you paid for care that included these items, and you cannot separate their cost from the total payment, you may count the total payment. However, you may not count the cost of schooling for a child in the first grade or above.

**Care outside the home.**—You may count care provided outside your home if the care was for:

- a. Your dependent under age 15; or
- b. Any other qualifying person who regularly spends at least 8 hours each day in your home.

Care that is provided by a dependent care center may be counted if the center complies with all applicable state and local laws and regulations. A dependent care center is a place that provides care for at least seven persons (other than persons who live there), and receives a fee, payment, or grant for providing the services for any of those persons, regardless of whether the center is run for profit.

**Medical expenses.**—Some dependent care expenses may qualify as medical expenses. If you itemize deductions, you may want to take all or part of these medical expenses on Schedule A (Form 1040). If you cannot use all the medical expenses on Form 2441 because of the dollar limit or earned income limit (explained later), you may take the rest of these expenses on Schedule A. But if you deduct the medical expenses first on Schedule A, you may not use any part of these expenses on Form 2441.

## Specific Instructions

We have provided specific instructions for most of the lines on the form. Those lines that do not appear in the instructions are self-explanatory.

**Line 2.**—In general, if you paid cash wages of \$50 or more in a calendar quarter for household services provided by a person such as a housekeeper, maid, babysitter, or cook, you must file an employment tax return. If you are not sure whether you should file an employment tax return, get **Form 942**, Employer's Quarterly Tax Return for Household Employees.

**Note:** *You should file a **Form 940**, Employer's Annual Federal Unemployment (FUTA) Tax Return, for 1984 by January 31, 1985, if you paid cash wages of \$1,000 or more for household services in any calendar quarter in 1983 or 1984.*

**Line 3. Dollar limit.**—On line 3 write the amount of qualified child and dependent care expenses you incurred and actually paid in 1984. However, the most you may figure the credit on is \$2,400 a year for one qualifying person, or \$4,800 a year for two or more qualifying persons. Do not include amounts paid or incurred by your employer if, and to the extent, such amounts are excluded from your gross income.

**Note:** *Do not include on line 3 qualified expenses that you incurred in 1984 but did not pay until 1985. Instead, you may be able to increase the amount of your 1985 credit when you pay the 1984 expenses in 1985.*

**Line 4. Earned income limit.**—Figure your earned income on line 4. The amount of your qualified expenses **may not** be more than your earned income.

In general, earned income is wages, salaries, tips, and other employee compensation. It also includes net earnings from self-employment. For more information on what is earned income for purposes of the credit, see Publication 503.

**Unmarried taxpayers.**—If you were unmarried at the end of 1984 or are treated as being unmarried at the end of the year, write your earned income on line 4.

**Married taxpayers.**—If you are married, filing a joint return, figure each spouse's earned income separately and disregard community property laws. Write your earned income on line 4a and your spouse's earned income on line 4b. Then, write the **smaller** of your earned income or your spouse's earned income on line 4.

**Spouse who is a full-time student or is disabled.**—If your spouse was a full-time student or was mentally or physically unable to care for himself or herself, figure your spouse's earned income on a monthly basis to determine your spouse's earned income for the year. For each month that your spouse was disabled or a full-time student, your spouse is considered to have earned income of not less than \$200 a month (\$400 a month if more than one qualifying person was cared for in 1984).

If, in the same month, both you and your spouse were full-time students and did not work, you may not use any amount paid that month to figure the credit. The same applies to a couple who did not work because neither was capable of self-care.

**A full-time student** is one who was enrolled in a school for the number of hours or classes that is considered full time. The student must have been enrolled at least 5 months during 1984.

**Self-employment income.**—You must reduce your earned income by any loss from self-employment. If your net earnings from self-employment are less than \$1,600, and you use the optional method to figure your self-employment tax, you may be able to increase your net earnings to \$1,600. See **Publication 533**, Self-Employment Tax, for details. If you only have a loss from self-employment, or your loss is more than your other earned income and you do not use the optional method, you may not take the credit.

**Line 8.**—If you had qualified expenses for 1983 that you did not pay until 1984, you may be able to increase the amount of credit you may take in 1984. To do this, multiply the 1983 expenses you paid in 1984 by the percentage from the table on line 6 that applies to the adjusted gross income shown on your 1983 Form 1040, line 33. Your 1983 expenses must be within the 1983 limits. Attach a computation showing how you figured the increase. (Use the example in Publication 503 as a guide.)