Purpose of Schedule

If you paid someone to care for your child or other qualifying person so you (and your spouse if filing a joint return) could work or look for work in 2002, you may be able to take the credit for child and dependent care expenses. But you must have had earned income to do so. If you can take the credit, use Schedule 2 to figure the amount of your credit.

If you (or your spouse if filing a joint return) received any dependent care benefits for 2002, you must use Schedule 2 to figure the amount, if any, of the benefits you may exclude from your income on Form 1040A, line 7. You must complete Part III of Schedule 2 before you can figure the credit, if any, in Part II.

Additional Information

See Pub. 503 for more details about the credit.

Definitions

Dependent Care Benefits. These include amounts your employer paid directly to either you or your care provider for the care of your qualifying person(s) while you worked. These benefits also include the fair market value of care in a day-care facility provided or sponsored by your employer. Your salary may have been reduced to pay for these benefits. If you received dependent care benefits, they should be shown in box 10 of your 2002 W-2 form(s).

Qualifying Person(s). A qualifying person is:

- Any child under age 13 whom you can claim as a dependent (but see Exception for children of divorced or separated parents below). If the child turned 13 during the year, the child is a qualifying person for the part of the year he or she was under age 13.
- Your disabled spouse who is not able to care for himself or herself.
- Any disabled person not able to care for himself or herself whom you can claim as a dependent (or could claim as a dependent except that the person had gross income of $3,000 or more). But if this person is your child, see Exception for children of divorced or separated parents below.

To find out who is a dependent, see the instructions for Form 1040A, line 6c.

To be a qualifying person, the person must have shared the same home with you in 2002.

Exception for children of divorced or separated parents.

If you were divorced, legally separated, or lived apart from your spouse during the last 6 months of 2002, you may be able to take the credit or the exclusion even if your child is not your dependent. If your child is not your dependent, he or she is a qualifying person only if all five of the following apply.

1. You had custody of the child for a longer time in 2002 than the other parent. See Pub. 501 for the definition of custody.
2. One or both of the parents provided over half of the child’s support in 2002.
3. One or both of the parents had custody of the child for more than half of 2002.
4. The child was under age 13 or was disabled and could not take care of himself or herself.
5. The other parent claims the child as a dependent because—
   - As the custodial parent, you signed Form 8332 or a similar statement agreeing not to claim the child’s exemption for 2002 or
   - Your divorce decree or written agreement went into effect before 1985 and it states that the other parent can claim the child as a dependent and the other parent gave at least $600 for the child’s support in 2002. But this rule does not apply if your decree or agreement was changed after 1984 to say that the other parent cannot claim the child as a dependent.

If this exception applies, the other parent cannot treat the child as a qualifying person even though the other parent claims the child as a dependent.

Qualified Expenses. These include amounts paid for household services and care of the qualifying person while you worked or looked for work. Child support payments are not qualified expenses. Also, expenses reimbursed by a state social service agency are not qualified expenses unless you included the reimbursement in your income.

Household services. These are services 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, or cleaning person if the services were partly for the care of the qualifying person. Do not include services of a chauffeur or gardener.

You may also include your share of the employment taxes paid on wages for qualifying child and dependent care services.

Care of the qualifying person. Care includes the cost of services for the qualifying person’s well-being and protection. It does not include the cost of clothing or entertainment.

You may include the cost of care provided outside your home for your dependent under age 13 or any other qualifying person who regularly spends at least 8 hours a day in your home. If the care was provided by a dependent care center, the center must meet all applicable state and local regulations. A dependent care center is a place that provides care for more than six persons (other than persons who live there) and receives a fee, payment, or grant for providing services for any of those persons, even if the center is not run for profit.
You may include amounts paid for items other than the care of your child (such as food and schooling) only if the items are incidental to the care of the child and cannot be separated from the total cost. But do not include the cost of schooling for a child in the first grade or above. Also, do not include any expenses for sending your child to an overnight camp.

Medical expenses. Some disabled spouse and dependent care expenses may qualify as medical expenses if you itemize deductions. But you must use Form 1040. See Pub. 503 and Pub. 502 for details.

**Earned Income.** This is the amount shown on Form 1040A, line 7, minus (a) any amount included for a scholarship or fellowship grant that was not reported to you on a W-2 form and (b) any amount received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan. This amount may be reported in box 11 of your W-2 form. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or annuity. For purposes of Part III of Schedule 2, earned income does not include any dependent care benefits shown on line 12 of Schedule 2. If filing a joint return, figure your and your spouse’s earned income separately.

**Special situations.** If you are filing a joint return, disregard community property laws. If your spouse died in 2002 and had no earned income, see Pub. 503. If your spouse was a student or disabled in 2002, see the instructions for line 5.

### Who May Take the Credit or Exclude Dependent Care Benefits?

You may take the credit or the exclusion if all six of the following apply.

1. Your filing status is single, head of household, qualifying widow(er) with dependent child, or married filing jointly. But see Married Persons Filing Separate Returns on this page.
2. The care was provided so you (and your spouse if you were married) could work or look for work. However, if you did not find a job and have no earned income for the year, you cannot take the credit or the exclusion. But if your spouse was a student or disabled, see the instructions for line 5.
3. You (and your spouse if you were married) paid over half the cost of keeping up your home. To find out what costs are included, use TeleTax topic 602 (see page 12 of the Form 1040A instructions) or see Pub. 503.
4. You and the qualifying person(s) lived in the same home.
5. The person who provided the care was not your spouse or a person whom you can claim as a dependent. If your child provided the care, he or she must have been age 19 or older by the end of 2002.
6. You report the required information about the care provider on line 1 and, if taking the credit, the information about the qualifying person on line 2.

**Married Persons Filing Separate Returns.** If your filing status is married filing separately and all of the following apply, you are considered unmarried for purposes of figuring the credit and the exclusion on Schedule 2.

- You lived apart from your spouse during the last 6 months of 2002, and
- The qualifying person lived in your home more than half of 2002, and
- You provided over half the cost of keeping up your home.

If you meet all the requirements to be treated as unmarried and meet items 2 through 6 listed earlier, you may take the credit or the exclusion. If you do not meet all the requirements to be treated as unmarried, you cannot take the credit. However, you may take the exclusion if you meet items 2 through 6.

### Part I

**Persons or Organizations Who Provided the Care**

**Line 1**

Complete columns (a) through (d) for each person or organization that provided the care. You can use Form W-10 or any other source listed in its instructions to get the information from the care provider. If you do not give correct or complete information, your credit (and exclusion, if applicable) may be disallowed unless you can show you used due diligence in trying to get the required information.

**Due Diligence.** You can show a serious and earnest effort (due diligence) to get the information by keeping in your records a Form W-10 completed by the care provider. Or you may keep one of the other sources of information listed in the instructions for Form W-10. If the provider does not give you the information, complete the entries you can on line 1 of Schedule 2. For example, enter the provider’s name and address. Enter “See Page 2” in the columns for which you do not have the information. Then, on the bottom of page 2, explain that the provider did not give you the information you asked for.

**Columns (a) and (b).** Enter the care provider’s name and address. If you were covered by your employer’s dependent care plan and your employer furnished the care (either at your workplace or by hiring a care provider), enter your employer’s name in column (a). Next, enter “See W-2” in column (b). Then, leave columns (c) and (d) blank. But if your employer paid a third party (not hired by your employer) on your behalf to provide the care, you must give information on the third party in columns (a) through (d).

**Column (c).** If the care provider is an individual, enter his or her social security number (SSN). Otherwise, enter the provider’s employer identification number (EIN). If the provider is a tax-exempt organization, enter “Tax-Exempt.”

**Column (d).** Enter the total amount you actually paid in 2002 to the care provider. Also, include amounts your employer paid to a third party on your behalf. It does not matter when the expenses were incurred. Do not reduce this amount by any reimbursement you received.

### Part II

**Credit for Child and Dependent Care Expenses**

**Line 2**

Complete columns (a) through (c) for each qualifying person. If you have more than two qualifying persons, attach a statement to your return with the required information. Be sure to put your name and social security number (SSN) on the statement. Also, enter “See Attached” in the space to the left of line 3.

**Column (a).** Enter each qualifying person’s name.

**Column (b).** You must enter the qualifying person’s SSN. Be sure the name and SSN entered agree with the person’s social security card. Otherwise, at the time we process your return, we may reduce or disallow your credit. If the person was born and died in 2002 and did not have an SSN, enter “Died” in column (b) and attach a copy of the person’s birth certificate. To find out how to get an SSN, see Social Security Number (SSN) on page 22 of the Form 1040A instructions. If the name or SSN
If you paid qualified expenses for the care of two or more qualifying persons, the $4,800 limit does not need to be divided equally. For example, if you incurred and paid $2,000 of qualified expenses for the care of one qualifying person and $2,800 for the care of another qualifying person, you can use the total $4,800 to figure the credit.

Thank you for your response.
Missing Child Photo