

1991



Department of the Treasury
Internal Revenue Service

Specific Instructions

Line 1

Complete columns (a) through (d) for each person or organization that provided the care. You can use Form W-10, Dependent Care Provider's Identification and Certification, 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 attempting to provide the required information.

Due diligence. You can show due diligence by keeping in your records a Form W-10 properly completed by the care provider or one of the other sources of information listed in the instructions for Form W-10. If the provider does not comply with your request for one of these items, complete the entries you can on Form 2441, such as the provider's name and address. Write "See Page 2" in the columns for which you do not have the information. On the bottom of page 2 also explain that you requested the information from the care provider, but the provider did not comply with your request.

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), write "See W-2" in column (b), and 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 1991 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.

Line 3

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 who is 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 \$2,150 or more).

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 1991, 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 if **all five** of the following apply:

1. You had custody of the child for a longer time in 1991 than the other parent.
2. One or both of the parents provided over half of the child's support.
3. One or both of the parents had custody of the child for more than half of 1991.

Instructions for Form 2441

Child and Dependent Care Expenses

General Instructions

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

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 20 min.; **Learning about the law or the form**, 14 min.; **Preparing the form**, 41 min.; and **Copying, assembling, and sending the form to the IRS**, 25 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the Instructions for Form 1040.

A Change To Note

If you have a child who was born in 1991 and the amount on Form 1040, line 32, is less than \$21,250, you may be able to take the extra credit for a child born in 1991 on **Schedule EIC**, Earned Income Credit. To find out if you can take the extra credit, see Schedule EIC and its instructions. But if you take the extra credit, you **cannot** take the credit for child care expenses or the exclusion of employer-provided dependent care benefits on Form 2441 for the same child.

If you qualify for both the child care credit and the extra credit for a child born in 1991, you should figure the amount you overpaid (or the amount you owe) both ways to see which way is better for you. You should also do this if you received employer-provided dependent care benefits and qualify for the extra credit on Schedule EIC. But see the **Exception** in the next column.

To see which way is better, you will need to do the following:

Step 1. Figure the child care credit or exclusion on Form 2441 including the expenses for your child born in 1991. Fill in Form 1040 through line 61 (or line 64). Be sure to include on line 56 the basic credit and, if it applies, the health insurance credit from Schedule EIC, but **don't** include the extra credit for the child born in 1991.

Step 2. Fill in Form 1040 through line 55, but **don't** use the child care expenses for your child born in 1991 when you figure any child care credit or exclusion on Form 2441. Figure your earned income credit on Schedule EIC including the extra credit for a child born in 1991. Enter the total credit on Form 1040, line 56. Fill in the rest of Form 1040 through line 61 (or line 64).

Compare the amount on line 61 (or line 64) figured using Step 1 to the amount figured using Step 2. File your return using the one that benefits you more.

If you choose to use Step 1 and the amount on line 4 includes expenses for more than one person, write in the amount of qualified expenses for your child born in 1991 on the

dotted line to the left of your line 4 entry. If you are completing Part III, write this amount on the dotted line to the left of your line 20 entry.

Exception. If you didn't receive any employer-provided dependent care benefits and the amount on line 40 of your Form 1040 is zero, you should take the extra credit for a child born in 1991; don't file Form 2441.

Purpose

Child care credit.—Use Parts I and II of Form 2441 to figure the credit for child and dependent care expenses. You may be able to take this credit if you paid someone to care for your child or other qualifying person so you (and your spouse if you were married) could work or look for work in 1991. But you must have had earned income to do so. See the instructions for lines 9 and 10 for the definition of earned income.

Employer-provided dependent care benefits.—If you received benefits for 1991 under your employer's dependent care plan, use Parts I and III of Form 2441 to figure the amount, if any, of the benefits you may exclude from your income on Form 1040, line 7. (The benefits should be shown in Box 22 of your W-2 form(s).) You must complete Part III before you can figure the credit in Part II.

Additional Information

For more details, get **Pub. 503**, Child and Dependent Care Expenses.

Who May Take the Credit or Exclude Employer-Provided Dependent Care Benefits?

You may take the credit or the exclusion if **all five** of the following apply:

1. The care was provided so you (and your spouse if you were married) could work or look for work (but see **Spouse who was a full-time student or disabled** on page 2).
2. You and the qualifying person(s) lived in the same home. See the instructions for line 3 for the definition of a qualifying person.
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 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 1991.
5. You report the required information about the care provider on line 1.

If you were **married at the end of 1991**, you generally must file a joint return to take the credit. But you will be treated as unmarried and still be eligible to take the credit if:

- You were legally separated, or
- You lived apart from your spouse during the last 6 months of the year, the qualifying person lived with you in your home over 6 months, and you provided over half the cost of keeping up your home.

4. The child was under age 13, or was disabled and could not care for 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 1991, or
- Your divorce decree or written agreement that was in effect before 1985 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 1991. But this rule does not apply if your decree or agreement was changed after 1984 to specify that the other parent cannot claim the child as a dependent.

If you can take the credit because of this exception, enter your child's name on the dotted line next to line 3. If you can take the exclusion because of this exception, enter your child's name on the dotted line next to line 20.

Line 4

Qualified expenses 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.

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

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

Note: If you paid cash wages of \$1,000 or more for household services in any calendar quarter in 1990 or 1991, you should file a **Form 940** or **Form 940-EZ** for 1991 by January 31, 1992.

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 count care provided outside your home if the care was for your dependent under age 13 or any other qualifying person who regularly spends at least 8 hours a day in your home.

Generally, care does not include food or schooling expenses. But, if these items are included as part of the total care, and they are incident to and cannot be separated from the total cost, you may include the total cost. You may not include the cost of schooling for a child in the first grade or above or the 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 on **Schedule A** (Form 1040). See Pub. 503 for details.

Note: Do not include on line 4 expenses you incurred in 1991 but did not pay until 1992. You may be able to increase your 1992 credit when you pay the 1991 expenses in 1992.

Lines 9 and 10

The amount of your qualified expenses may not be more than your earned income or, if married filing a joint return, the smaller of your earned income or your spouse's earned income.

Earned income generally means wages, salaries, tips, and other employee compensation. This is usually the amount shown on Form 1040, line 7. If you were self-employed, it also includes

the amount shown on **Schedule SE** (Form 1040), line 3, minus any deduction you claimed on Form 1040, line 25. If you file Schedule C to report income as a statutory employee, also include as earned income the amount from line 1 of that Schedule C. You must reduce your earned income by any loss from self-employment.

Note: If you can use either optional method to figure self-employment tax, you may be able to increase your earned income for this credit. (Get **Pub. 533**, *Self-Employment Tax*, for details.) In this case, subtract any deduction you claimed on Form 1040, line 25, from the total of the amounts on **Schedule SE**, Section B, lines 3 and 4b, to figure earned income.

If you are **married filing a joint return**, disregard community property laws. Enter your earned income on line 9 and your spouse's earned income on line 10. If your spouse died in 1991 and had no earned income, see Pub. 503.

Spouse who was a full-time student or disabled.—If your spouse was a full-time student or was disabled in 1991, figure your spouse's earned income on a monthly basis to determine his or her earned income for the year. For each month or part of a month that your spouse was disabled or a full-time student, he or she is considered to have worked and earned income of not less than \$200 a month (\$400 a month if more than one qualifying person was cared for in 1991). But if your spouse also worked during any month and earned more than that amount, use his or her actual earned income.

For any month that your spouse was not disabled or a full-time student, use your spouse's actual earned income if he or she worked during the month.

To be a full-time student your spouse must be enrolled in a school for the number of hours or classes that the school considers full time. He or she must also have been enrolled during any 5 months in 1991.

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.

Line 15

If you had qualified expenses for 1990 that you did not pay until 1991, you may be able to increase the amount of credit you can take in 1991. To do this, multiply the 1990 expenses you paid in 1991 by the decimal amount from the table on line 13 that applies to the adjusted gross income shown on your 1990 Form 1040, line 32, or Form 1040A, line 17. Your 1990 expenses must be within the 1990 limits. Attach a statement showing how you figured the amount on line 15.

Line 16

In certain cases, the amount of credit you figured on line 16 may be limited. Some people will need to complete **Form 6251**, Alternative Minimum Tax—Individuals, because the amount from line 18 of that form is used to figure the limit. Others, however, will not be affected by the limit and will not need Form 6251. The following will help you decide if you need Form 6251.

First, complete line 1 of the worksheet on this page. **Get Form 6251 if either of the following applies:**

1. You file Schedule C, D, E, or F (Form 1040).
2. The amount you entered on line 1 of the worksheet is more than \$150,000 (\$112,500 if

single or head of household; \$75,000 if married filing separately).

If **either 1 or 2** applies, complete Form 6251 through line 18. Skip lines 2 through 6 of the worksheet and go directly to line A of the worksheet.

If **neither 1 or 2** applies, continue with line 2 of the worksheet. You may still need to get Form 6251.

Worksheet (keep for your records)

1. Enter the amount from Form 1040, line 23 _____
(Add to line 1 any tax-exempt interest from private activity bonds issued after August 7, 1986, and any net operating loss deduction.)
2. Enter \$40,000 (\$30,000 if single or head of household; \$20,000 if married filing separately) _____
3. Subtract line 2 from line 1. If zero or less, **STOP HERE** and enter on Form 1040, line 41, the amount of your credit shown on line 16 of Form 2441. Otherwise, go to line 4. _____
4. Enter the amount from Form 1040, line 40 _____
5. Multiply line 3 by .24 _____
6. Subtract line 5 from line 4 (if zero or less, enter -0-) _____

Compare line 6 of the worksheet above with the credit shown on Form 2441, line 16.

● If line 6 above is more than your credit, do not complete Form 6251. Enter on Form 1040, line 41, the amount shown on Form 2441, line 16.

● If your credit is more than the amount on line 6 above, complete Form 6251 through line 18 and figure the limit on your credit as follows:

- A. Enter the amount from Form 1040, line 40 _____
- B. Enter the amount from Form 6251, line 18 _____
- C. Maximum credit. Subtract line B from line A (if zero or less, enter -0-) _____

Compare the credit you first figured on line 16 of Form 2441 with line C above. Enter the **smaller** of the two amounts on line 16 of Form 2441 and on Form 1040, line 41. If line C above is the smaller amount, also write "AMT" in the left margin next to line 41.

Line 18

If you had a flexible spending account, any amount included on line 17 that you did not receive because you did not incur the expense is considered forfeited. Enter the forfeited amount on line 18. **Do not** include amounts you expect to receive at a future date.

Example. Under your employer's dependent care plan, you elected to have your employer set aside \$5,000 to cover your 1991 dependent care expenses. The \$5,000 is shown in Box 22 of your W-2 form. In 1991, you incurred and were reimbursed for \$4,950 of qualified expenses. You would enter \$5,000 on line 17 and \$50, the amount forfeited, on line 18.

Line 20

Enter the total of all qualified expenses (see the instructions for line 4) incurred in 1991 for the care of your qualifying person(s). It does not matter when the expenses were paid.

Example. You received \$2,000 in cash under your employer's dependent care plan for 1991. The \$2,000 is shown in Box 22 of your W-2 form. During 1991 only \$900 of qualified expenses were incurred for the care of your 5-year-old dependent child. You would enter \$2,000 on line 17 and \$900 on line 20.