

1992



Department of the Treasury
Internal Revenue Service

Instructions for Form 2441 Child and Dependent Care Expenses

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**, 40 min.; **Learning about the law or the form**, 24 min.; **Preparing the form**, 58 min.; and **Copying, assembling, and sending the form to the IRS**, 28 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 on page 4 in the Instructions for Form 1040.

General Instructions

A Change To Note

If you have a child who was born in 1992 and the amount on Form 1040, line 32, is less than \$22,370, you may be able to take the extra credit for a child born in 1992 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 1992, **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 1992. 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 1992.

Step 2. Fill in Form 1040 through line 55, but **don't** use the child care expenses for your child born in 1992 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 1992. Enter the total credit on Form 1040, line 56. Fill in the rest of Form 1040 through line 61 (or line 64).

Step 3. 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 of Form 2441 includes expenses for more than one person, write in the amount of qualified expenses for your child born in 1992 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 1992; don't file Form 2441.

Purpose of Form

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 filing a joint return) could work or look for work in 1992. 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 1992 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 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 **Certain Married Persons Filing Separate Returns** below.

2. The care was provided so you (and your spouse if filing a joint return) could work or look for work. But see **Spouse Who Was a Student or Disabled** on page 2.

3. You and the qualifying person(s) lived in the same home. See the instructions for line 3 for the definition of a qualifying person.

4. You (and your spouse if filing a joint return) 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.

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 1992.

6. You report the required information about the care provider on line 1.

Certain Married Persons Filing Separate Returns. If your filing status is married filing separately, you may take the credit or the exclusion **only** if:

- You lived apart from your spouse during the last 6 months of 1992, and
- The qualifying person lived in your home more than 6 months in 1992, and
- You provided over half the cost of keeping up your home.

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 line 1 of 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, 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 1992 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 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 \$2,300 or more).

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

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 1992, 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 1992 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 1992.
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 1992, 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 1992. 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 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.

You may 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 1991 or 1992, you should file a **Form 940** or **Form 940-EZ** for 1992 by February 1, 1993.

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. See Pub. 503 for the definition of a "dependent care center."

Do not include amounts paid for food or schooling. 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. Also, **do 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). Get Pub. 503 and **Pub. 502**, Medical and Dental Expenses, for details.

Note: Do not include on line 4 expenses you incurred in 1992 but did not pay until 1993. You may be able to increase your 1993 credit when you pay the 1992 expenses in 1993.

Lines 9 and 10

The amount you use to figure the credit may not be more than your earned income or, if 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. But it does not include a scholarship or fellowship grant if you did not get a W-2 form for it. 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 or C-EZ to report income as a statutory employee, also include as earned income the amount from line 1 of that Schedule C or C-EZ. 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 **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 1992 and had no earned income, see Pub. 503.

Spouse Who Was a Student or Disabled. If your spouse was a student or was disabled in 1992, figure your spouse's earned income on a monthly basis. For each month or part of a month that your spouse was a student or disabled, 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 1992). 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 student, use your spouse's actual earned income if he or she worked during the month.

Your spouse was a **student** if he or she was enrolled as a full-time student at a school during any 5 months of 1992.

If, in the same month, both you and your spouse were 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 1991 that you did not pay until 1992, you may be able to increase the amount of credit you can take in 1992. To do this, multiply the 1991 expenses you paid in 1992 by the decimal amount from the table on line 13 that applies to the adjusted gross income shown on your 1991 Form 1040, line 32, or Form 1040A, line 17. Your 1991 expenses must be within the 1991 limits. Attach a statement showing how you figured the amount on line 15.

Line 16

The amount of your credit may be limited. Some people need to complete **Form 6251**, Alternative Minimum Tax—Individuals, because the amount from line 18 of that form is used to figure the limit. Use the worksheet on this page to see if you need to complete Form 6251 and to figure the amount of credit you may claim.

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 1992 dependent care expenses. The \$5,000 is shown in box 22 of your W-2 form. In 1992, 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 1992 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 1992. The \$2,000 is shown in box 22 of your W-2 form. Only \$900 of qualified expenses were incurred in 1992 for the care of your 5-year-old dependent child. You would enter \$2,000 on line 17 and \$900 on line 20.

Worksheet (keep for your records)

1. Enter the amount from Form 2441, line 16 1. _____
2. Enter the amount from Form 1040, line 23, plus any net operating loss deduction and tax-exempt interest from private activity bonds issued after August 7, 1986 2. _____
Next: If line 2 is more than \$150,000 (\$112,500 if single or head of household; \$75,000 if married filing separately) **OR** you file Schedule C, C-EZ, D, E, or F, complete Form 6251 through line 18. Then, complete only lines 5 and 8-10 below. Otherwise, go to line 3.
3. Enter \$40,000 (\$30,000 if single or head of household; \$20,000 if married filing separately) 3. _____
4. Subtract line 3 from line 2. If zero or less, **stop here**; enter on Form 1040, line 41, the amount from line 1 above. Otherwise, go to line 5 4. _____
5. Enter the amount from Form 1040, line 40 5. _____
6. Multiply line 4 by 24% (.24) 6. _____
7. Subtract line 6 from line 5 (if zero or less, enter -0-) 7. _____
Next: If line 7 is equal to or more than line 1, **stop here**; enter the amount from line 1 above on Form 1040, line 41. Otherwise, complete Form 6251 through line 18 and lines 8-10 below.
8. Enter the amount from Form 6251, line 18 8. _____
9. Subtract line 8 from line 5 (if zero or less, enter -0-) 9. _____
10. Enter the **smaller** of line 1 or line 9 here and on Form 1040, line 41. If line 9 is the smaller amount, write "AMT" in the left margin next to line 41 and replace the amount on Form 2441, line 16, with that amount 10. _____