

Daniel L. Blauw, PLC

Attorneys & Counselors at Law

2020 Raybrook SE, #204A, Grand Rapids, MI, 49546
phone: (616) 336-5098

A Tax Break to Help Working Parents Pay for Day Care

Paying for day care is one of the biggest expenses faced by working adults with young children, a child with a disability or a dependent parent, but there is a tax credit available to help working caregivers defray the costs of day care.

In order to qualify for the tax credit, you must have a dependent who cannot be left alone and who has lived with you for more than half the year. Qualifying dependents may be the following:

- A child who is under age 13 when the care is provided
- A spouse who is physically or mentally incapable of self-care
- An individual who is physically or mentally incapable of self-care and either is your dependent or could have been your dependent except that his or her income is too high (\$4,150 or more) or he or she files a joint return.

Even though for 2018 you can't claim a personal exemption deduction for yourself, your spouse, or your dependents, you can still receive this tax credit if your child (or other relative) qualifies as a dependent. This means you must provide more than half their support for the year. Support includes amounts spent to provide food, lodging, clothing, education, medical and dental care, recreation, transportation, and similar necessities.

The total expenses you can use to calculate the credit is \$3,000 for one child or dependent or up to \$6,000 for two or more children or dependents. So if you spent \$10,000 on care, you can only use \$3,000 of it toward the credit. Once you know your work-related day care expenses, to calculate the credit you need to multiply the expenses by a percentage of between 20 and 35, depending on your income. (A chart giving the percentage rates is in IRS Publication 503.) For example, if you earn \$15,000 or less and have the maximum \$3,000 eligible for the credit, to figure out your credit you multiply \$3,000 by 35 percent. If you earn \$43,000 or more, you multiply \$3,000 by 20

percent. (A tax credit is directly subtracted from the tax you owe, in contrast to a tax deduction, which decreases your taxable income.)

The care can be provided in or out of the home, by an individual or by a licensed care center, but the care provider cannot be a spouse, dependent, or the child's parent. The main purpose of the care must be the dependent's well-being and protection, and expenses for care should not include amounts you pay for food, lodging, clothing, education, and entertainment.

To get the credit, you must report the name, address, and either the care provider's Social Security number or employer identification number on the tax return.

To find out if you are eligible to claim the credit using an IRS "interview," click [here](#).

For more information about the credit, click [here](#) and [here](#).