

Child and Dependent Care Credit

If you paid someone to care for a child or a dependent so you could work or look for work, you may be able to reduce your tax by claiming the Child and Dependent Care Credit on your federal income tax return. You may also be able to claim the credit if you pay someone to care for your dependent who is under age 13 or for a spouse or a dependent of any age who is physically or mentally incapable of self-care.

The credit is a percentage of the amount of work-related child and dependent care expenses you paid to a care provider. The credit can be up to 35 percent of your qualifying expenses, depending upon your income.

For 2005, you may use up to \$3,000 of the expenses paid in a year for one qualifying individual, or \$6,000 for two or more qualifying individuals. These dollar limits must be reduced by the amount of any dependent care benefits provided by your employer that you exclude from your income.

To claim the credit for child and dependent care expenses, you must meet the following conditions:

- **Income** - You must have earned income from wages, salaries, tips or other taxable employee compensation, or net earnings from self-employment
- **Payee** - The payments for care cannot be paid to someone you can claim as your dependent on your return or to your child who is under age 19
- **Filing Status** - Your filing status must be single, head of household, qualifying widow(er) with a dependent child or married filing jointly
- **Care** - The care must have been provided for one or more qualifying persons
- **Home** - The qualifying person must live with you for more than half of 2005

There are some limitations on the amount of credit you can claim. If you received dependent care benefits from your employer, other rules apply.

For more information on the Child and Dependent Care Credit, see Publication 503, Child and Dependent Care Expenses. You may download these free publications from IRS.gov or order them by calling 1-800-TAX-FORM (1-800-829-3676).