





## Lesson Plan

### Credit for Child and Dependent Care Expenses

Time Required: 30 minutes

| Introduction  | Objectives  | Topics   |
|---|---|--|
| This lesson teaches students how to determine a taxpayer's eligibility for the child and dependent care credit and use Form 2441 to calculate the amount. | <p>Determine if a taxpayer is eligible for the credit.</p> <p>Calculate the amount of the credit.</p> |   <p>Nonrefundable Credit</p> <p>Child and Dependent Care Credit</p> <p>Determining Taxpayer Eligibility</p> <p>Five Eligibility Tests</p> <p>Taxpayer Interview</p> <p>Determining the Amount of the Credit</p> <p>Avoiding Common Errors</p> |

### Key Terms

**Adjusted Gross Income (AGI):** The taxpayer's total adjusted gross income (AGI) is the amount that is used to compute some limitations, such as the medical and dental deduction on Schedule A and the credit for child and dependent care expenses.

**Child and Dependent Care Credit:** A nonrefundable credit that allows taxpayers to claim a credit for paying someone to care for their qualifying dependents under the age of 13 or spouses or dependents who are unable to care for themselves. The credit ranges from 20% to 35% of the taxpayer's expenses.

**Earned Income:** Includes wages, salaries, tips, and other employee compensation. Earned income also includes net earnings from self-employment and other income received for personal services.

**Nonrefundable Credit:** A nonrefundable credit can only reduce the tax liability to zero. Any excess credit is not refunded to the taxpayer.

**Qualifying Child:** To be identified as a qualifying child, a person must meet certain basic tests. In addition, there may be other requirements to claim various tax benefits for that qualifying child.

**Qualifying Relative:** To be identified as a qualifying relative, a person must meet seven tests: Member of household or relationship test, Qualifying child of another taxpayer test, Citizen or resident test, Gross income test, Support test, Joint return test, and Dependent taxpayer test.

**TANF:** Temporary Assistance for Needy Families (previously known as AFDC), a state benefit also known as welfare.

## Teacher Tips

### Guidelines for Lesson

| Guideline                               | Instructor Notes  | Presentation Aids  |
|---|---|--|
| Lesson background info                  | <b>Review</b> the online demo of TaxSlayer on Income.   | <b>TaxSlayer® Demo:</b><br>From the Practice Lab, select: <ul style="list-style-type: none"> <li>• TaxSlayer IRS training</li> <li>• Click the appropriate demo</li> </ul> |
| Provide details and engage the students | <p><b>Discuss</b> all tips and cautions in detail.</p> <p><b>Ask</b> students to read and/or role-play examples and sample interviews.</p> <p><b>Review</b> answers to each exercise; ask students how they arrived at their answers.</p> | <p><b>Internet:</b><br/>Link &amp; Learn Taxes (L&amp;LT) Credit for Child and Dependent Care Expenses</p>   |

### Topic-specific Tips

| Topic Name   | Instructor Notes  | Presentation Aids   |
|--------------|---|---|
| Introduction | <p><b>Review</b> lesson objectives.</p> <p><b>Discuss</b> this lesson is one of eight lessons that cover the Tax and Credits section of the return.</p> <p><b>Review</b> the list of references.</p> <p><b>State</b> the presentation time.</p> | <p><b>Visuals:</b><br/> <a href="#">Form 13614-C</a>, Page 2<br/> <a href="#">Form 1040</a>, Schedule 3<br/> <a href="#">Pub 4012</a>, Tab G, Nonrefundable Credits and Tab I, Earned Income Credit</p> |

### Child and Dependent Care Credit

**Review** L&LT topic Child and Dependent Care Credit.

**Review** with students child and dependent care:

- Tax credit for work-related dependent care expenses
- Have a qualifying person
- Credit is 20%-35% of qualifying expenses

**Caution** students not to confuse this credit with the child tax credit.

**Prompt** students to use Form 13614-C, Page 2, to ask whether the taxpayer paid for any type of dependent care.

**Ask:** If the amount of a nonrefundable credit exceeds the tax liability, can the taxpayer get a refund of the difference?

**Answer:** No.

**Ask:** What does a taxpayer who receives employer-provided dependent care benefits have to do?

**Answer:** Complete Form 2441 to determine if they can exclude all or part of these benefits from their taxable income. Be sure Part III of Form 2441 is completed.

**Display** the tax forms used to claim this nonrefundable credit.

### Visuals:

[Form 13614-C](#), Page 2

[Form W-2](#), box 10

[Form 1040](#), Schedule 3

[Form 2441](#), Part III

[Pub 4012](#), Tab G, Nonrefundable Credits:

- Nonrefundable Credits
- Form 2441 – Child and Dependent Care Expenses

### Internet:

L&LT Credit for Child and Dependent Care Expenses, Child and Dependent Care Credit

Tax Tip: [Understanding the Child and Dependent Care Tax Credit](#)

Tax Topic: [Child and Dependent Care Credit](#)

### Determining Taxpayer Eligibility Five Eligibility Tests

**Review** L&LT topic Determining Taxpayer Eligibility.

**Refer** students to Pub 4012, Child and Dependent Care Credit Expenses Tip to determine who is a qualifying person.

**Refer** students to Pub 4012, Credit for Child & Dependent Care Expenses – Screening Sheet and review the five tests that must be passed to claim the credit.

**Ask:** Does a child have to be the taxpayer's dependent to qualify for this credit? **Answer:** In most cases yes. There are some exceptions including children of divorced or separated parents.

**Refer** students to Pub 503 special rules for children of divorced or separated parents.

**Emphasize** that only the parent with whom the child lives can take this credit.

**Refer** students to Pub 4012, Earned Income Table for a list of earned income.

**Ask:** Can taxpayers with no taxable income claim this credit? **Answer:** No.

**Prompt** students to give examples of childcare expenses that do not qualify for the credit.

**Ask:** Can taxpayers who use the Married Filing Separately filing status claim this credit? **Answer:** No.

### Visual:

[Form 13614-C](#), Page 2

[Pub 4012](#), Tab G, Nonrefundable Credits:

- Child & Dependent Care Expenses Tip
- Credit for Child & Dependent Care Expenses – Screening Sheet

[Pub 4012](#), Tab I, Earned Income Credit, Earned Income Table

[Pub 503](#), Child and Dependent Care Expenses, Child of Divorced or Separated Parents or Parents Living Apart

### Internet:

L&LT Credit for Child and Dependent Care Expenses, Determining Taxpayer Eligibility, Five Eligibility Tests

### TaxSlayer Demo:

Click Deductions from Federal Section>Credits Menu>Child Care Credit Form 2441.

|                                      |   |  |
|--------------------------------------|---|--|
| Determining the Amount of the Credit | <p><b>Review</b> L&amp;LT topic Determining the Amount of the Credit.</p> <p><b>Remind</b> students that taxpayers must use due diligence to obtain child care provider information.</p> <p><b>Review</b> Form 2441.</p> <p><b>Demonstrate</b> TaxSlayer Basic Info section.</p> <p><b>Remind</b> students that if the taxpayer received employer-paid benefits, complete Form 2441, Part III before Part II.</p> | <p><b>Visuals:</b><br/><a href="#">Form 2441</a></p> <p><a href="#">Form W-2</a>, box 10</p> <p><a href="#">Pub 4012</a>, Tab G, Nonrefundable Credits:</p> <ul style="list-style-type: none"><li>• Nonrefundable Credits</li><li>• Form 2441 – Child and Dependent Care</li></ul> |
| Avoiding Common Errors               | <p><b>Review</b> L&amp;LT topic Avoiding Common Errors.</p> <p><b>Remind</b> students to:</p> <ul style="list-style-type: none"><li>• Verify Form 13614-C, Page 2, shows box for child and dependent care is checked</li><li>• Double-check all entries</li><li>• Check that Form 2441, Part III is completed if taxpayer's Form W-2 shows an amount in box 10</li></ul>  | <p><b>Visuals:</b><br/><a href="#">Form 13614-C</a>, Page 2</p> <p><a href="#">Form 2441</a></p>   |
| Skills Workout                       | <p><b>Review</b> the lesson Certification Warm Up with the class.</p>   | <p><b>Visuals:</b><br/>L&amp;LT Credit for Child and Dependent Care Expenses: Click Certification Warm Up icon to review Exercises</p>   |

### References

|              |   |
|--------------|---|
| Form 1040    | <a href="#">Form 1040</a> , Schedule 3  |
| Form 2441    | <a href="#">Form 2441, Child and Dependent Care Expenses</a>  |
| Form 13614-C | <a href="#">Form 13614-C</a> , Intake/Interview & Quality Review Sheet, Page 2  |
| Pub 4012     | <a href="#">Pub 4012</a> , Volunteer Resource Guide, Tab G, Nonrefundable Credits and Tab I, Earned Income Credit<br>Child and Dependent Care Credit Expenses<br>Credit for Child & Dependent Care Expenses – Screening Sheet<br>Earned Income Table<br>Nonrefundable Credits<br>Form 2441 – Child and Dependent Care |
| Pub 503      | <a href="#">Pub 503</a> , Child and Dependent Care Expenses   |

### Optional

|                        |   |
|------------------------|---|
| Form 1040 Instructions | <a href="#">Form 1040 Instructions</a> , Schedule 3 |
|------------------------|---|

### Recommended Classroom Activities



**Skills Workout**



**Certification Warm Up**



**Media: Videos & Audio**



**TaxSlayer Tutorial**



**Job Aids**



**Practice Lab**



**Skills Workout: Link & Learn Taxes Credit for Child and Dependent Care Expenses**

Click Skills Workout to access Link & Learn Taxes Credit for Child and Dependent Care Expenses.



**Certification Warm Up – Summary and Exercises**

Click Certification Warm Up to access the Exercises in Link & Learn Taxes Credit for Child and Dependent Care Expenses.



**Media: Video & Audio for Lesson**

There is no media associated with this lesson.



### TaxSlayer Tips and Resources for Lesson

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TaxSlayer Training Video [Entering Basic Credits](#)

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Practice Lab Tutorial

From the [Practice Lab](#):

1. Enter the universal password (if you do not have the password, you can request it from your site coordinator or SPEC relationship manager).
  2. Sign in to Practice Lab or create an account.
  3. Select the appropriate tutorial.
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### Job Aids

#### ITA and FAQs for Lesson

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Tax Tips

Understanding the Child and Dependent Care Tax Credit

<https://www.irs.gov/newsroom/understanding-the-child-and-dependent-care-tax-credit>

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Tax Topic

Child and Dependent Care Credit

<https://www.irs.gov/taxtopics/tc602.html>

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### Practice Lab

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Practice Lab

<https://vita.taxslayerpro.com/IRSTraining/>

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