





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

Topic-specific Tips

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

Child and Dependent Care Credit

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

References

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

Optional

Form 1040 Instructions	Form 1040 Instructions , Schedule 3
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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

TaxSlayer Training Video [Entering Basic Credits](#)

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

Tax Tips

Understanding the Child and Dependent Care Tax Credit

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

Tax Topic

Child and Dependent Care Credit

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



Practice Lab

Practice Lab

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