



Department of the Treasury  
Internal Revenue Service

**Publication 503**

Cat. No. 15004M

# Child and Dependent Care Expenses

For use in preparing  
**2005** Returns



**Get forms and other information faster and easier by:**

**Internet • [www.irs.gov](http://www.irs.gov)**

## Contents

<b>What's New</b> .....	<b>1</b>
<b>Reminders</b> .....	<b>1</b>
<b>Introduction</b> .....	<b>2</b>
<b>Tests To Claim the Credit</b> .....	<b>2</b>
Qualifying Person Test .....	<b>3</b>
Earned Income Test .....	<b>3</b>
Work-Related Expense Test .....	<b>5</b>
Joint Return Test .....	<b>7</b>
Provider Identification Test .....	<b>7</b>
<b>How To Figure the Credit</b> .....	<b>8</b>
Figuring Total Work-Related Expenses .....	<b>8</b>
Earned Income Limit .....	<b>9</b>
Dollar Limit .....	<b>10</b>
Amount of Credit .....	<b>10</b>
<b>How To Claim the Credit</b> .....	<b>11</b>
<b>Employment Taxes for Household Employers</b> .....	<b>11</b>
<b>Examples</b> .....	<b>14</b>
<b>How To Get Tax Help</b> .....	<b>18</b>
<b>Index</b> .....	<b>20</b>

## What's New

**Keeping up home test eliminated.** Generally, you no longer need to pay over half the cost of keeping up a home for a qualifying person. However, the qualifying person must live with you for more than half of 2005. See *Qualifying Person Test* for more information.

**Qualifying person.** To be your qualifying person, a child generally must be your "qualifying child." See *Qualifying Person Test*.

**Hurricane Katrina.** The special rule for a spouse who is a full-time student may still apply if he or she was unable to attend classes because of Hurricane Katrina. See *Rule for student-spouse or spouse not able to care for self*.

## Reminders

**Taxpayer identification number needed for each qualifying person.** You must include on line 2 of Form 2441, Child and Dependent Care Expenses, or Schedule 2 (Form 1040A), Child and Dependent Care Expenses for Form 1040A Filers, the name and taxpayer identification number (generally the social security number) of each qualifying person. See *Taxpayer identification number* under *Qualifying Person Test*, later.

**You may have to pay employment taxes.** If you pay someone to come to your home and care for your dependent or spouse, you may be a household employer who

has to pay employment taxes. Usually, you are not a household employer if the person who cares for your dependent or spouse does so at his or her home or place of business. See *Employment Taxes for Household Employers*, later.

**Photographs of missing children.** The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

---

## Introduction

This publication explains the tests you must meet to claim the credit for child and dependent care expenses. It explains how to figure and claim the credit.

You may be able to claim the credit if you pay someone to care for your dependent who is under age 13 or for your spouse or dependent who is not able to care for himself or herself. The credit can be up to 35% of your expenses. To qualify, you must pay these expenses so you can work or look for work.

This publication also discusses some of the employment tax rules for household employers.

**Dependent care benefits.** If you received any dependent care benefits from your employer during the year, you may be able to exclude from your income all or part of them. You must complete Part III of Form 2441 or Schedule 2 (Form 1040A) before you can figure the amount of your credit. See *Dependent Care Benefits* under *How To Figure the Credit*, later.

**Comments and suggestions.** We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Internal Revenue Service  
Individual Forms and Publications Branch  
SE:W:CAR:MP:T:I  
1111 Constitution Ave. NW, IR-6406  
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at [\\*taxforms@irs.gov](mailto:*taxforms@irs.gov). (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

**Tax questions.** If you have a tax question, visit [www.irs.gov](http://www.irs.gov) or call 1-800-829-1040. We cannot answer tax questions at either of the addresses listed above.

**Ordering forms and publications.** Visit [www.irs.gov/formspubs](http://www.irs.gov/formspubs) to download forms and publications, call

1-800-829-3676, or write to the National Distribution Center at the address shown under *How To Get Tax Help* in the back of this publication.

## Useful Items

You may want to see:

### Publication

- 501** Exemptions, Standard Deduction, and Filing Information
- 926** Household Employer's Tax Guide

### Form (and Instructions)

- 2441** Child and Dependent Care Expenses
- Schedule 2 (Form 1040A)** Child and Dependent Care Expenses for Form 1040A Filers
- Schedule H (Form 1040)** Household Employment Taxes
- W-10** Dependent Care Provider's Identification and Certification

See *How To Get Tax Help*, near the end of this publication, for information about getting these publications and forms.

---

## Tests To Claim the Credit

To be able to claim the credit for child and dependent care expenses, you must file Form 1040 or Form 1040A, not Form 1040EZ, and meet all the following tests.

1. The care must be for one or more qualifying persons who are identified on the form you use to claim the credit. (See *Qualifying Person Test*.)
2. You (and your spouse if you are married) must have earned income during the year. (However, see *Rule for student-spouse or spouse not able to care for self under Earned Income Test*, later.)
3. You must pay child and dependent care expenses so you (and your spouse if you are married) can work or look for work. (See *Work-Related Expense Test*, later.)
4. You must make payments for child and dependent care to someone you (and your spouse) cannot claim as a dependent. If you make payments to your child, he or she cannot be your dependent and must be age 19 or older by the end of the year. You cannot make payments to your spouse or to the parent of your qualifying child who is your qualifying person and is under age 13. (See *Payments to Relatives under Work-Related Expense Test*, later.)
5. Your filing status must be single, head of household, qualifying widow(er) with dependent child, or married filing jointly. You must file a joint return if you are married, unless an exception applies to you. See *Joint Return Test*, later.

6. You must identify the care provider on your tax return. (See *Provider Identification Test*, later.)
7. If you exclude or deduct dependent care benefits provided by a dependent care benefit plan, the total amount you exclude or deduct must be less than the dollar limit for qualifying expenses (generally, \$3,000 if one qualifying person was cared for, or \$6,000 if two or more qualifying persons were cared for). (If two or more qualifying persons were cared for, the amount you exclude or deduct will always be less than the dollar limit, since the total amount you can exclude or deduct is limited to \$5,000. See *Reduced Dollar Limit* under *How To Figure the Credit*, later.)

These tests are presented in Figure A and are also explained in detail in this publication.

## Qualifying Person Test

Your child and dependent care expenses must be for the care of one or more qualifying persons.

A qualifying person is:

1. Your qualifying child who is your dependent and who was under age 13 when the care was provided,
2. Your spouse who was physically or mentally not able to care for himself or herself and lived with you for more than half the year, or
3. A person who was physically or mentally not able to care for himself or herself, lived with you for more than half the year, and either:
  - a. Was your dependent, or
  - b. Would have been your dependent except that:
    - i. He or she received gross income of \$3,200 or more,
    - ii. He or she filed a joint return, or
    - iii. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2005 return.

If you are divorced or separated, see *Child of divorced or separated parents*, later, to determine which parent may treat the child as a qualifying person.

**Dependent defined.** A dependent is a person, other than you or your spouse, for whom you can claim an exemption. To be your dependent, a person must be your qualifying child (or your qualifying relative).

**Qualifying child.** To be your qualifying child, a child must live with you for more than half the year and meet other requirements.

**More information.** For more information about who is a dependent or a qualifying child, see Publication 501.

**Physically or mentally not able to care for oneself.** Persons who cannot dress, clean, or feed themselves because of physical or mental problems are considered not able to care for themselves. Also, persons who must

have constant attention to prevent them from injuring themselves or others are considered not able to care for themselves.

**Person qualifying for part of year.** You determine a person's qualifying status each day. For example, if the person for whom you pay child and dependent care expenses no longer qualifies on September 16, count only those expenses through September 15. Also see *Dollar Limit* under *How To Figure the Credit*, later.

**Taxpayer identification number.** You must include on your return the name and taxpayer identification number (generally the social security number) of the qualifying person(s). If the correct information is not shown, the credit may be reduced or disallowed.

**Individual taxpayer identification number (ITIN) for aliens.** If your qualifying person is a nonresident or resident alien who does not have and cannot get a social security number (SSN), use that person's ITIN. The ITIN is entered wherever an SSN is requested on a tax return. If the alien does not have an ITIN, he or she must apply for one. See Form W-7, Application for IRS Individual Taxpayer Identification Number, for details.

An ITIN is for tax use only. It does not entitle the holder to social security benefits or change the holder's employment or immigration status under U.S. law.

**Adoption taxpayer identification number (ATIN).** If your qualifying person is a child who was placed in your home for adoption and for whom you do not have an SSN, you must get an ATIN for the child. File Form W-7A, Application for Taxpayer Identification Number for Pending U.S. Adoptions.

**Child of divorced or separated parents.** Even if you cannot claim your child as a dependent, he or she is treated as your qualifying person if:

- The child was under age 13 or was physically or mentally not able to care for himself or herself,
- You were the child's custodial parent (the parent with whom the child lived for the greater part of 2005), and
- The noncustodial parent is entitled to claim the child as a dependent under the special rules for a child of divorced or separated parents.

If this applies, the noncustodial parent cannot treat the child as a qualifying person.

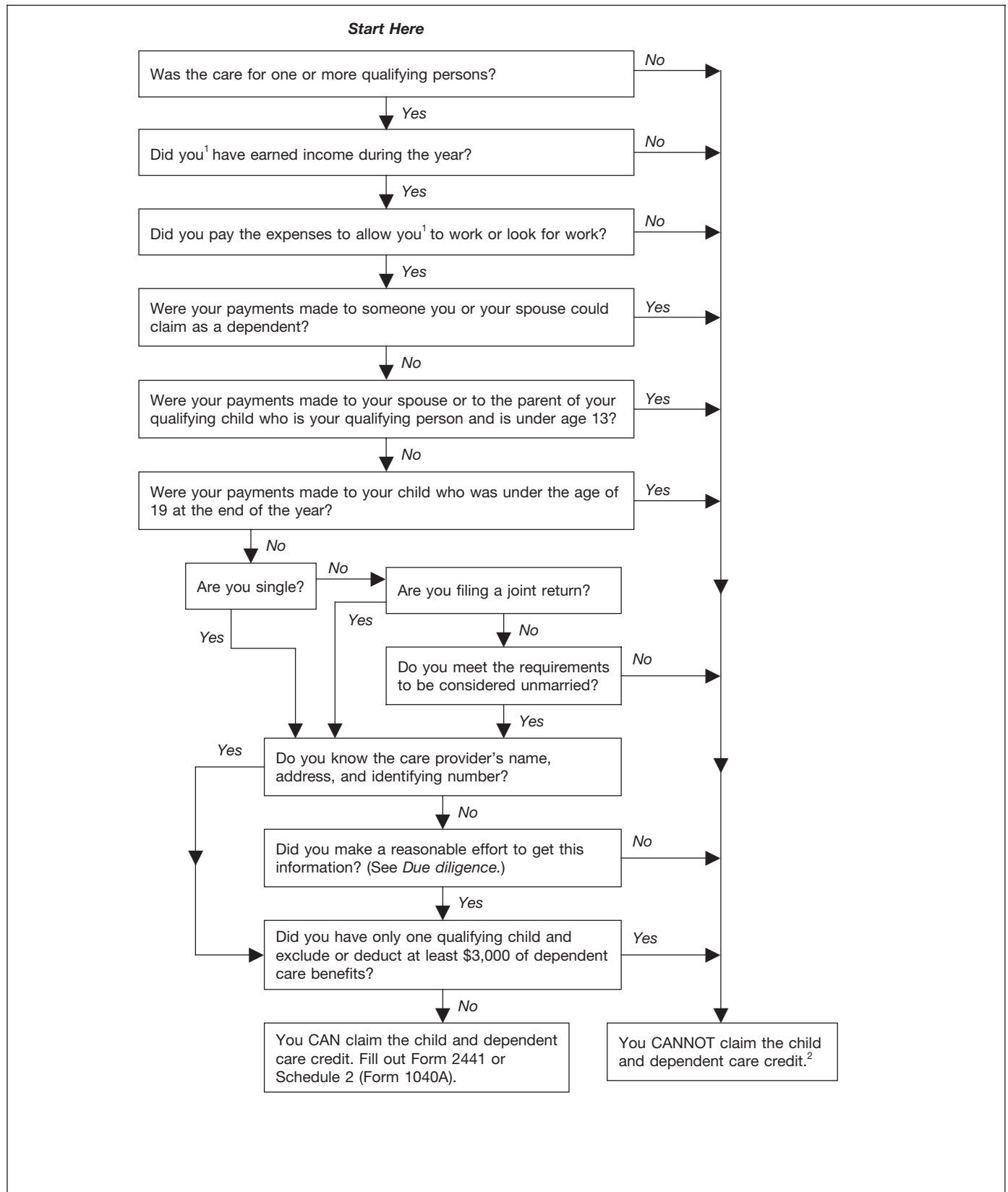
To find out when a noncustodial parent is entitled to claim the dependency exemption for a child, see Publication 501.

## Earned Income Test

To claim the credit, you (and your spouse if you are married) must have earned income during the year.

**Earned income.** Earned income includes wages, salaries, tips, other taxable employee compensation, and net earnings from self-employment. A net loss from self-employment reduces earned income. Earned income also

Figure A. **Can You Claim the Credit?**



<sup>1</sup> This also applies to your spouse, unless your spouse was disabled or a full-time student.

<sup>2</sup> If you had expenses that met the requirements for 2004, except that you did not pay them until 2005, you may be able to claim those expenses in 2005. See *Expenses not paid until the following year under How To Figure the Credit.*

includes strike benefits and any disability pay you report as wages.

Earned income also includes nontaxable employee compensation such as parsonage allowances, meals and lodging furnished for the convenience of the employer, voluntary salary deferrals (such as deferrals under a non-qualified deferred compensation plan reported on Form W-2 in box 12 with code Y), military basic quarters and subsistence allowances and in-kind quarters and subsistence, and military pay earned in a combat zone.

**Members of certain religious faiths opposed to social security.** This section is for persons who are members of certain religious faiths that are opposed to participation in Social Security Act programs and have an IRS-approved form that exempts certain income from social security and Medicare taxes. These forms are:

- Form 4361, Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners, and
- Form 4029, Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits, for use by members of recognized religious groups.

Each form is discussed in this section in terms of what is or is not earned income for purposes of the child and dependent care credit. For information on the use of these forms, see Publication 517, *Social Security and Other Information for Members of the Clergy and Religious Workers*.

**Form 4361.** Whether or not you have an approved Form 4361, amounts you received for performing ministerial duties as an employee are earned income. This includes wages, salaries, tips, and other employee compensation. Other employee compensation includes earned income that is not taxable, such as a housing allowance or the rental value of a parsonage that you receive as part of your pay for services as an employee.

However, amounts you received for ministerial duties, but not as an employee, are not net earnings from self-employment for purposes of the child and dependent care credit. Examples include fees for performing marriages and honoraria for delivering speeches. Any income or loss from these activities is not taken into account in figuring earned income.

Any amount you received for work that is not related to your ministerial duties is earned income.

**Form 4029.** Whether or not you have an approved Form 4029, all wages, salaries, tips, and other employee compensation are earned income.

However, amounts you received as a self-employed individual are not net earnings from self-employment for purposes of the child and dependent care credit, and are not taken into account in figuring earned income.

**What is not earned income?** Earned income does not include pensions or annuities, social security payments, workers' compensation, interest, dividends, or unemployment compensation. It also does not include scholarship or

fellowship grants, except amounts paid to you (and reported on Form W-2) for teaching, research, or other services.

**Rule for student-spouse or spouse not able to care for self.** Your spouse is treated as having earned income for any month that he or she is:

1. A full-time student, or
2. Physically or mentally not able to care for himself or herself. (Your spouse also must live with you for more than half the year.)

Figure the earned income of the nonworking spouse, described under (1) or (2) above, as shown under *Earned Income Limit* under *How To Figure the Credit*, later.

This rule applies to only one spouse for any one month. If, in the same month, both you and your spouse do not work and are either full-time students or physically or mentally not able to care for yourselves, only one of you can be treated as having earned income in that month.

**Full-time student.** You are a full-time student if you are enrolled at and attend a school for the number of hours or classes that the school considers full time. You must have been a student for some part of each of 5 calendar months during the year. (The months need not be consecutive.)

If you enrolled in school before August 25, 2005, you are treated as a full-time student for any month of the enrollment period you were unable to attend classes because of Hurricane Katrina.

**School.** The term "school" includes elementary schools, junior and senior high schools, colleges, universities, and technical, trade, and mechanical schools. A school does not include an on-the-job training course, correspondence schools, or Internet school.

## Work-Related Expense Test

Child and dependent care expenses must be work-related to qualify for the credit. Expenses are considered work-related only if both of the following are true.

- They allow you (and your spouse if you are married) to work or look for work.
- They are for a qualifying person's care.

## Working or Looking for Work

To be work-related, your expenses must allow you to work or look for work. If you are married, generally both you and your spouse must work or look for work. Your spouse is treated as working during any month he or she is a full-time student or is physically or mentally not able to care for himself or herself.

Your work can be for others or in your own business or partnership. It can be either full time or part time.

Work also includes actively looking for work. However, if you do not find a job and have no earned income for the year, you cannot take this credit. See *Earned Income Test*, earlier.

Whether your expenses allow you to work or look for work depends on the facts. For example, the cost of a baby sitter while you and your spouse go out to eat is not normally a work-related expense.

An expense is not considered work-related merely because you had it while you were working. The purpose of the expense must be to enable you to work.

**Volunteer work.** For this purpose, you are not considered to be working if you do unpaid volunteer work or volunteer work for a nominal salary.

**Work for part of year.** If you work or actively look for work during only part of the period covered by the expenses, then you must figure your expenses for each day. For example, if you work all year and pay care expenses of \$250 a month (\$3,000 for the year), all the expenses are work related. However, if you work or look for work for only 2 months and 15 days during the year and pay expenses of \$250 a month, your work-related expenses are limited to \$625 (2½ months × \$250).

**Payments while you are out sick.** Do not count as work-related expenses amounts you pay for child and dependent care while you are off work because of illness. These amounts are not paid to allow you to work. This applies even if you get sick pay and are still considered an employee.

## Care of a Qualifying Person

To be work-related, your expenses must be to provide care for a qualifying person. You do not have to choose the least expensive way of providing the care.

Expenses are for the care of a qualifying person only if their main purpose is the person's well-being and protection.

Expenses for household services qualify if part of the services is for the care of qualifying persons. See *Household Services*, later.

**Expenses not for care.** Expenses for care do not include amounts you pay for food, clothing, education, and entertainment. However, you can include small amounts paid for these items if they are incident to and cannot be separated from the cost of caring for the qualifying person. Otherwise, see the discussion of *Expenses partly work-related*, later.

**Education.** Expenses for a child in nursery school, pre-school, or similar programs for children below the level of kindergarten are expenses for care.

Expenses to attend kindergarten or a higher grade are not expenses for care. Do not use these expenses to figure your credit.

**Example 1.** You take your 3-year-old child to a nursery school that provides lunch and a few educational activities as part of its preschool childcare service. You can count the total cost when you figure the credit.

**Example 2.** You place your 10-year-old child in a boarding school so you can work full time. Only the part of the boarding school expense that is for the care of your child is

a work-related expense. You can count that part of the expense in figuring your credit if it can be separated from the cost of education. You cannot count any part of the amount you pay the school for your child's education.

**Care outside your home.** You can count the cost of care provided outside your home if the care is for your dependent under age 13, or any other qualifying person who regularly spends at least 8 hours each day in your home.

**Dependent care center.** You can count care provided outside your home by a dependent care center only if the center complies with all state and local regulations that apply to these centers.

A dependent care center is a place that provides care for more than six persons (other than persons who live there) and receives a fee, payment, or grant for providing services for any of those persons, even if the center is not run for profit.

**Camp.** The cost of sending your child to an overnight camp is not considered a work-related expense.

The cost of sending your child to a day camp may be a work-related expense, even if the camp specializes in a particular activity, such as computers or soccer.

**Transportation.** The cost of getting a qualifying person from your home to the care location and back, or from the care location to school and back, is not considered a work-related expense. This includes the costs of bus, subway, taxi, or private car. Also, if you pay the transportation cost for the care provider to come to your home, you cannot count this cost as a work-related expense.

## Household Services

Expenses you pay for household services meet the work-related expense test if they are at least partly for the well-being and protection of a qualifying person.

**Definition.** Household services are ordinary and usual services done in and around your home that are necessary to run your home. They include the services of a housekeeper, maid, or cook. However, they do not include the services of a chauffeur, bartender, or gardener.

**Housekeeper.** In this publication, the term housekeeper refers to any household employee whose services include the care of a qualifying person.

**Expenses partly work-related.** If part of an expense is work-related (for either household services or the care of a qualifying person) and part is for other purposes, you have to divide the expense. To figure your credit, count only the part that is work-related. However, you do not have to divide the expense if only a small part is for other purposes.

**Example.** You pay a housekeeper to care for your 9-year-old and 15-year-old children so you can work. The housekeeper spends most of the time doing normal household work and spends 30 minutes a day driving you to and from work. You do not have to divide the expenses. You can treat the entire expense of the housekeeper as work-related because the time spent driving is minimal. Nor do you have to divide the expenses between the two

children, even though the expenses are partly for the 15-year-old child who is not a qualifying person, because the expense is also partly for the care of your 9-year-old child, who is a qualifying person. However, the dollar limit (discussed later) is based on one qualifying person, not two.

**Meals and lodging provided for housekeeper.** If you have expenses for meals that your housekeeper eats in your home because of his or her employment, count these as work-related expenses. If you have extra expenses for providing lodging in your home to the housekeeper, count these as work-related expenses also.

**Example.** To provide lodging to the housekeeper, you move to an apartment with an extra bedroom. You can count the extra rent and utility expenses for the housekeeper's bedroom as work-related. However, if your housekeeper moves into an existing bedroom in your home, you can count only the extra utility expenses as work-related.

**Taxes paid on wages.** The taxes you pay on wages for qualifying child and dependent care services are work-related expenses. For more information on a household employer's tax responsibilities, see *Employment Taxes for Household Employers*, later.

## Payments to Relatives or Dependents

You can count work-related payments you make to relatives who are not your dependents, even if they live in your home. However, do not count any amounts you pay to:

1. A dependent for whom you (or your spouse if you are married) can claim an exemption,
2. Your child who is under age 19 at the end of the year, even if he or she is not your dependent,
3. Your spouse, or
4. The parent of your qualifying child who is your qualifying person and is under age 13.

## Joint Return Test

Generally, married couples must file a joint return to take the credit. However, if you are legally separated or living apart from your spouse, you may be able to file a separate return and still take the credit.

**Legally separated.** You are not considered married if you are legally separated from your spouse under a decree of divorce or separate maintenance. You are eligible to take the credit on a separate return.

**Married and living apart.** You are not considered married and are eligible to take the credit if all the following apply.

1. You file a separate return.
2. Your home is the home of a qualifying person for more than half the year.

3. You pay more than half the cost of keeping up your home for the year.
4. Your spouse does not live in your home for the last 6 months of the year.

**Costs of keeping up a home.** The costs of keeping up a home normally include property taxes, mortgage interest, rent, utility charges, home repairs, insurance on the home, and food eaten at home.

The costs of keeping up a home do not include payments for clothing, education, medical treatment, vacations, life insurance, transportation, or mortgage principal.

They also do not include the purchase, permanent improvement, or replacement of property. For example, you cannot include the cost of replacing a water heater. However, you can include the cost of repairing a water heater.

**Death of spouse.** If your spouse died during the year and you do not remarry before the end of the year, you generally must file a joint return to take the credit. If you do remarry before the end of the year, the credit can be claimed on your deceased spouse's separate return.

## Provider Identification Test

You must identify all persons or organizations that provide care for your child or dependent. Use Part I of Form 2441 or Schedule 2 (Form 1040A) to show the information.

**Information needed.** To identify the care provider, you must give the provider's:

1. Name,
2. Address, and
3. Taxpayer identification number.

If the care provider is an individual, the taxpayer identification number is his or her social security number or individual taxpayer identification number. If the care provider is an organization, then it is the employer identification number (EIN).

You do not have to show the taxpayer identification number if the care provider is one of certain tax-exempt organizations (such as a church or school). In this case, enter "Tax-Exempt" in the space where the tax form calls for the number.

If you cannot provide all of the information or the information is incorrect, you must be able to show that you used due diligence (discussed later) in trying to furnish the necessary information.

**Getting the information.** You can use Form W-10, Dependent Care Provider's Identification and Certification, to request the required information from the care provider. If you do not use Form W-10, you can get the information from:

1. A copy of the provider's social security card,
2. A copy of the provider's driver's license (in a state where the license includes the social security number),

3. A copy of the provider's completed Form W-4, Employee's Withholding Allowance Certificate, if he or she is your household employee,
4. A copy of the statement furnished by your employer if the provider is your employer's dependent care plan, or
5. A letter or invoice from the provider if it shows the necessary information.



You should keep this information with your tax records. Do not send Form W-10 (or other document containing this information) to the Internal Revenue Service.

**Due diligence.** If the care provider information you give is incorrect or incomplete, your credit may not be allowed. However, if you can show that you used due diligence in trying to supply the information, you can still claim the credit.

You can show due diligence by getting and keeping the provider's completed Form W-10 or one of the other sources of information listed earlier. Care providers can be penalized if they do not provide this information to you or if they provide incorrect information.

**Provider refusal.** If the provider refuses to give you the identifying information, you should report whatever information you have (such as the name and address) on the form you use to claim the credit. Enter "See Page 2" in the columns calling for the information you do not have. On the bottom of page 2, explain that you requested the information from the care provider, but the provider did not give you the information. This statement will show that you used due diligence in trying to furnish the necessary information.

## How To Figure the Credit

Your credit is a percentage of your work-related expenses. Your expenses are subject to the earned income limit and the dollar limit. The percentage is based on your adjusted gross income.

### Figuring Total Work-Related Expenses

To figure the credit for 2005 work-related expenses, count only those you paid by December 31, 2005.

**Expenses prepaid in an earlier year.** If you pay for services before they are provided, you can count the prepaid expenses only in the year the care is received. Claim the expenses for the later year as if they were actually paid in that later year.

**Expenses not paid until the following year.** Do not count 2004 expenses that you paid in 2005 as work-related expenses for 2005. You may be able to claim an additional credit for them on your 2005 return, but you must figure it separately. See *Payments for previous year's expenses* under *Amount of Credit*, later.



If you had expenses in 2005 that you did not pay until 2006, you cannot count them when figuring your 2005 credit. You may be able to claim a credit for them on your 2006 return.

**Expenses reimbursed.** If a state social services agency pays you a nontaxable amount to reimburse you for some of your child and dependent care expenses, you cannot count the expenses that are reimbursed as work-related expenses.

**Example.** You paid work-related expenses of \$3,000. You are reimbursed \$2,000 by a state social services agency. You can use only \$1,000 to figure your credit.

**Medical expenses.** Some expenses for the care of qualifying persons who are not able to care for themselves may qualify as work-related expenses and also as medical expenses. You can use them either way, but you cannot use the same expenses to claim both a credit and a medical expense deduction.

If you use these expenses to figure the credit and they are more than the earned income limit or the dollar limit, discussed later, you can add the excess to your medical expenses. However, if you use your total expenses to figure your medical expense deduction, you cannot use any part of them to figure your credit. For information on medical expenses, see Publication 502, *Medical and Dental Expenses*.



Amounts excluded from your income under your employer's dependent care benefits plan cannot be used to claim a medical expense deduction.

## Dependent Care Benefits

If you receive dependent care benefits, your dollar limit for purposes of the credit may be reduced. See *Reduced Dollar Limit*, later. But, even if you cannot take the credit, you may be able to take an exclusion or deduction for the dependent care benefits.

**Dependent care benefits.** Dependent care benefits include:

1. Amounts paid directly to either you or your care provider for the care of your qualifying person while you work, and
2. The fair market value of care in a daycare facility provided or sponsored by your employer.

Your salary may have been reduced to pay for these benefits. If you received benefits, they should be shown on your Form W-2, Wage and Tax Statement. See *Statement for employee*, later.

Benefits you received as a partner should be shown in box 13 of your Schedule K-1 (Form 1065) with code O. Enter the amount of these benefits on Form 2441, line 12.

**Exclusion or deduction.** If your employer provides dependent care benefits under a qualified plan, you may be able to exclude these benefits from your income. Your employer can tell you whether your benefit plan qualifies.

If you are self-employed and receive benefits from a qualified dependent care benefit plan, you are treated as both employer and employee. Therefore, you would not get an exclusion from wages but instead a deduction on Form 1040, Schedule C, line 14; Schedule E, line 18; or Schedule F, line 17.

If your plan qualifies, you must complete Part III of either Form 2441 or Schedule 2 (Form 1040A) to claim the exclusion. You cannot use Form 1040EZ. You must use Form 2441 to claim the deduction.

The amount you can exclude or deduct is limited to the smallest of:

1. The total amount of dependent care benefits you received during the year,
2. The total amount of qualified expenses you incurred during the year,
3. Your earned income,
4. Your spouse's earned income, or
5. \$5,000 (\$2,500 if married filing separately).

**Figuring earned income.** When figuring your exclusion or deduction, the definition of earned income is not exactly the same as the definition used when figuring the credit for child and dependent care expenses.

Generally, only taxable compensation is included. However, you can elect to include nontaxable combat pay in earned income. If you are filing a joint return and both you and your spouse received nontaxable combat pay, you can each make your own election. If you are filing a joint return and both you and your spouse received nontaxable combat pay, you can each make your own election. You should figure your exclusion or deduction both ways and make the election if it gives you a greater tax benefit.

**Note.** Earned income does not include any dependent care benefits you receive.

**Statement for employee.** Your employer must give you a Form W-2 (or similar statement), showing in box 10 the total amount of dependent care benefits provided to you during the year under a qualified plan. Your employer will also include any dependent care benefits over \$5,000 in your wages shown on your Form W-2 in box 1.

**Effect of exclusion.** If you exclude dependent care benefits from your income, the amount of the excluded benefits:

1. Is not included in your work-related expenses, and
2. Reduces the dollar limit, discussed later.

## Earned Income Limit

The amount of work-related expenses you use to figure your credit cannot be more than:

1. Your earned income for the year, if you are single at the end of the year, or
2. The smaller of your or your spouse's earned income for the year, if you are married at the end of the year.

Earned income for the purposes of figuring the credit is defined under *Earned Income Test*, earlier.



*For purposes of item (2), use your spouse's earned income for the entire year, even if you were married for only part of the year.*

**Example.** You remarried on December 3. Your earned income for the year was \$18,000. Your new spouse's earned income for the year was \$2,000. You paid work-related expenses of \$3,000 for the care of your 5-year-old child and qualified to claim the credit. The amount of expenses you use to figure your credit cannot be more than \$2,000 (the smaller of your earned income or that of your spouse).

**Separated spouse.** If you are legally separated or married and living apart from your spouse (as described under *Joint Return Test*, earlier), you are not considered married for purposes of the earned income limit. Use only your income in figuring the earned income limit.

**Surviving spouse.** If your spouse died during the year and you file a joint return as a surviving spouse, you are not considered married for purposes of the earned income limit. Use only your income in figuring the earned income limit.

**Community property laws.** Disregard community property laws when you figure earned income for this credit.

**Self-employment earnings.** If you are self-employed, include your net earnings in earned income. For purposes of the child and dependent care credit, net earnings from self-employment generally means the amount from line 3 of Schedule SE (either Section A or Section B) minus any deduction for self-employment tax on Form 1040, line 27. Include your self-employment earnings in earned income, even if they are less than \$400 and you did not file Schedule SE.

**Statutory employee.** If you filed 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.

**Net loss.** You must reduce your earned income by any net loss from self-employment.

**Optional method if earnings are low or a net loss.** If your net earnings from self-employment are low or you have a net loss, you may be able to figure your net earnings by using an optional method instead of the regular method. Get Publication 334, *Tax Guide for Small Business*, for details. If you use an optional method to figure net earnings for self-employment tax purposes, include those net earnings in your earned income for this credit. In this case, subtract any deduction you claimed on Form 1040, line 27, from the total of the amounts on Schedule SE, Section B, lines 3 and 4b, to figure your net earnings.

**Student-spouse or spouse not able to care for self.** Your spouse who is either a full-time student or not able to care for himself or herself is treated as having earned income. His or her earned income for each month is con-

sidered to be at least \$250 if there is one qualifying person in your home, or at least \$500 if there are two or more.

**Spouse works.** If your spouse works during that month, use the higher of \$250 (or \$500) or his or her actual earned income for that month.

**Spouse qualifies for part of month.** If your spouse is a full-time student or not able to care for himself or herself for only part of a month, the full \$250 (or \$500) still applies for that month.

**Both spouses qualify.** If, in the same month, both you and your spouse are either full-time students or not able to care for yourselves, only one spouse can be considered to have this earned income of \$250 (or \$500) for that month.

**Example.** Jim works and keeps up a home for himself and his wife Sharon. Because of an accident, Sharon is not able to care for herself for 11 months during the tax year.

During the 11 months, Jim pays \$3,300 of work-related expenses for Sharon's care. These expenses also qualify as medical expenses. Their adjusted gross income is \$29,000 and the entire amount is Jim's earned income.

Jim and Sharon's earned income limit is the smallest of the following amounts.

Jim and Sharon's Earned Income Limit

1) Work-related expenses Jim paid	\$	3,300
2) Jim's earned income	\$	29,000
3) Income considered earned by Sharon (11 × \$250)	\$	2,750

Jim and Sharon can use \$2,750 to figure the credit and treat the balance of \$550 (\$3,300 – \$2,750) as a medical expense. However, if they use the \$3,300 first as a medical expense, they cannot use any part of that amount to figure the credit.

## Dollar Limit

There is a dollar limit on the amount of your work-related expenses you can use to figure the credit. This limit is \$3,000 for one qualifying person, or \$6,000 for two or more qualifying persons.



*If you paid work-related expenses for the care of two or more qualifying persons, the \$6,000 limit does not need to be divided equally among them. For example, if your work-related expenses for the care of one qualifying person are \$3,200 and your work-related expenses for another qualifying person are \$2,800, you can use the total, \$6,000, when figuring the credit.*

**Yearly limit.** The dollar limit is a yearly limit. The amount of the dollar limit remains the same no matter how long, during the year, you have a qualifying person in your household. Use the \$3,000 limit if you paid work-related expenses for the care of one qualifying person at any time during the year. Use \$6,000 if you paid work-related expenses for the care of more than one qualifying person at any time during the year.

**Example.** In July of this year, to permit your spouse to begin a new job, you enrolled your 3-year-old daughter in a nursery school that provides preschool childcare. You paid

\$300 per month for the childcare. You can use the full \$1,800 you paid (\$300 × 6 months) as qualified expenses because it is not more than the \$3,000 yearly limit.

## Reduced Dollar Limit

If you received dependent care benefits that you exclude or deduct from your income, you must subtract that amount from the dollar limit that applies to you. Your reduced dollar limit is figured on lines 28 through 32 of Form 2441 or lines 22 through 26 of Schedule 2 (Form 1040A). See *Dependent Care Benefits*, earlier, for information on excluding or deducting these benefits.

**Example.** George is a widower with one child and earns \$24,000 a year. He pays work-related expenses of \$2,900 for the care of his 4-year-old child and qualifies to claim the credit for child and dependent care expenses. His employer pays an additional \$1,000 under a qualified dependent care benefit plan. This \$1,000 is excluded from George's income.

Although the dollar limit for his work-related expenses is \$3,000 (one qualifying person), George figures his credit on only \$2,000 of the \$2,900 work-related expenses he paid. This is because his dollar limit is reduced as shown next.

George's Reduced Dollar Limit

1) Maximum allowable expenses for one qualifying person	\$3,000
2) Minus: Dependent care benefits George excludes from income	<u>-1,000</u>
3) Reduced dollar limit on expenses George can use for the credit	<u>\$2,000</u>

## Amount of Credit

To determine the amount of your credit, multiply your work-related expenses (after applying the earned income and dollar limits) by a percentage. This percentage depends on your adjusted gross income shown on Form 1040, line 38, or Form 1040A, line 22. The following table shows the percentage to use based on adjusted gross income.

IF your adjusted gross income is:		THEN the percentage is:
Over:	But not over:	
\$ 0	— \$15,000	35%
15,000	— 17,000	34%
17,000	— 19,000	33%
19,000	— 21,000	32%
21,000	— 23,000	31%
23,000	— 25,000	30%
25,000	— 27,000	29%
27,000	— 29,000	28%
29,000	— 31,000	27%
31,000	— 33,000	26%
33,000	— 35,000	25%
35,000	— 37,000	24%
37,000	— 39,000	23%
39,000	— 41,000	22%
41,000	— 43,000	21%
43,000	— No limit	20%

**Payments for previous year's expenses.** If you had work-related expenses in 2004 that you paid in 2005, you may be able to increase the credit on your 2005 return. Attach a statement to your form showing how you figured the additional amount from 2004. Then enter "CPYE" and the amount of the credit on the dotted line next to line 9 on Form 2441 or in the space to the left of line 9 on Schedule 2 (Form 1040A). Also enter the name and taxpayer identification number of the person for whom you paid the prior year's expenses. Then add this credit to the amount on line 9, and replace the amount on line 9 with the total.

**Example.** In 2004, Sam and Kate had childcare expenses of \$2,600 for their 12-year-old child. Of the \$2,600, they paid \$2,000 in 2004 and \$600 in 2005. Their adjusted gross income for 2004 was \$30,000. Sam's earned income of \$14,000 was less than Kate's earned income. A credit for their 2004 expenses paid in 2005 is not allowed in 2004. It is allowed for the 2005 tax year, but they must use their adjusted gross income for 2004 to compute the amount. The worksheet they use to figure this credit is shown on page 13.

Sam and Kate add the \$162 from line 13 of this worksheet to their 2005 credit and enter the total on line 9 of their Schedule 2 (Form 1040A). They enter "CPYE \$162" and their child's name and SSN in the space to the left of line 9.

---

## How To Claim the Credit

To claim the credit, you can file Form 1040 or Form 1040A. You cannot claim the credit on Form 1040EZ.

**Form 1040.** You must complete Form 2441 and attach it to your Form 1040. Enter the credit on your Form 1040, line 48.

**Form 1040A.** You must complete Schedule 2 (Form 1040A) and attach it to your Form 1040A. Enter the credit on Form 1040A, line 29.

**Limit on credit.** The amount of credit you can claim is limited to the amount of your regular tax (after reduction by any allowable foreign tax credit) plus your alternative minimum tax, if any.

**Tax credit not refundable.** You cannot get a refund for any part of the credit that is more than this limit.



**Recordkeeping.** You should keep records of your work-related expenses. Also, if your dependent or spouse is not able to care for himself or herself, your records should show both the nature and length of the disability. Other records you should keep to support your claim for the credit are described under *Provider Identification Test*, earlier.

---

## Employment Taxes for Household Employers

If you pay someone to come to your home and care for your dependent or spouse, you may be a household employer. If you are a household employer, you will need an employer identification number (EIN) and you may have to pay employment taxes. If the individuals who work in your home are self-employed, you are not liable for any of the taxes discussed in this section. Self-employed persons who are in business for themselves are not household employees. Usually, you are not a household employer if the person who cares for your dependent or spouse does so at his or her home or place of business.

If you use a placement agency that exercises control over what work is done and how it will be done by a babysitter or companion who works in your home, that person is not your employee. This control could include providing rules of conduct and appearance and requiring regular reports. In this case, you do not have to pay employment taxes. But, if an agency merely gives you a list of sitters and you hire one from that list, the sitter may be your employee.

If you have a household employee you may be subject to:

1. Social security and Medicare taxes,
2. Federal unemployment tax, and
3. Federal income tax withholding.

Social security and Medicare taxes are generally withheld from the employee's pay and matched by the employer. Federal unemployment (FUTA) tax is paid by the employer only and provides for payments of unemployment compensation to workers who have lost their jobs. Federal income tax is withheld from the employee's total pay if the employee asks you to do so and you agree.

For more information on a household employer's tax responsibilities, see Publication 926 and Schedule H (Form 1040) and its instructions.

**State employment tax.** You may also have to pay state unemployment tax. Contact your state unemployment tax office for information. You should also find out whether you need to pay or collect other state employment taxes or carry worker's compensation insurance. A list of state unemployment tax agencies, including addresses and phone numbers, is in Publication 926.



Use this worksheet to figure the credit you may claim for 2004 expenses paid in 2005.

1. Enter your 2004 qualified expenses paid in 2004 ..... 1. \_\_\_\_\_
2. Enter your 2004 qualified expenses paid in 2005 ..... 2. \_\_\_\_\_
3. Add the amounts on lines 1 and 2 ..... 3. \_\_\_\_\_
4. Enter \$3,000 if care was for one qualifying person (\$6,000 if for two or more) ..... 4. \_\_\_\_\_
5. Enter any dependent care benefits received for 2004 and excluded from your income (from line 26 of 2004 Form 2441 or line 20 of 2004 Schedule 2 (Form 1040A)) ..... 5. \_\_\_\_\_
6. Subtract amount on line 5 from amount on line 4 and enter the result ..... 6. \_\_\_\_\_
7. Compare your earned income for 2004 and your spouse's earned income for 2004 and enter the smaller amount ..... 7. \_\_\_\_\_
8. Compare the amounts on lines 3, 6, and 7 and enter the smallest amount ..... 8. \_\_\_\_\_
9. Enter the amount on which you figured the credit for 2004 (from line 6 of 2004 Form 2441 or Schedule 2 (Form 1040A)) ..... 9. \_\_\_\_\_
10. Subtract amount on line 9 from amount on line 8 and enter the result. If zero or less, stop here. You cannot increase your credit by any previous year's expenses ..... 10. \_\_\_\_\_
11. Enter your 2004 adjusted gross income (from line 37 of your 2004 Form 1040 or line 22 of your 2004 Form 1040A) ..... 11. \_\_\_\_\_
12. Find your 2004 adjusted gross income in the table below and enter the corresponding decimal amount here ..... 12. \_\_\_\_\_

<b>IF your 2004 adjusted gross income is:</b>		<b>THEN the decimal</b>
<b>Over:</b>	<b>But not over:</b>	<b>amount is:</b>
\$ 0	— \$15,000	.35
15,000	— 17,000	.34
17,000	— 19,000	.33
19,000	— 21,000	.32
21,000	— 23,000	.31
23,000	— 25,000	.30
25,000	— 27,000	.29
27,000	— 29,000	.28
29,000	— 31,000	.27
31,000	— 33,000	.26
33,000	— 35,000	.25
35,000	— 37,000	.24
37,000	— 39,000	.23
39,000	— 41,000	.22
41,000	— 43,000	.21
43,000	— No limit	.20

13. Multiply line 10 by line 12. Add this amount to your 2005 credit and enter the total on line 9 of your 2005 Form 2441 or Schedule 2 (Form 1040A). Enter the following on the dotted line next to line 9 of Form 2441 or in the space to the left of line 9 on Schedule 2 (Form 1040A):
  - "CPYE"
  - The amount of this credit for a prior year's expenses
  - The name and taxpayer identification number of the person for whom you paid the prior year's expenses ..... 13. \_\_\_\_\_

Worksheet A. **Worksheet for 2004 Expenses Paid in 2005—Illustrated**

Use this worksheet to figure the credit you may claim for 2004 expenses paid in 2005.

1. Enter your 2004 qualified expenses paid in 2004 . . . . .	1.	\$2,000
2. Enter your 2004 qualified expenses paid in 2005 . . . . .	2.	600
3. Add the amounts on lines 1 and 2 . . . . .	3.	2,600
4. Enter \$3,000 if care was for one qualifying person (\$6,000 if for two or more) . . . . .	4.	3,000
5. Enter any dependent care benefits received for 2004 and excluded from your income (from line 26 of 2004 Form 2441 or line 20 of 2004 Schedule 2 (Form 1040A)) . . . . .	5.	0
6. Subtract amount on line 5 from amount on line 4 and enter the result . . . . .	6.	3,000
7. Compare your earned income for 2004 and your spouse's earned income for 2004 and enter the smaller amount . . . . .	7.	14,000
8. Compare the amounts on lines 3, 6, and 7 and enter the smallest amount . . . . .	8.	2,600
9. Enter the amount on which you figured the credit for 2004 (from line 6 of 2004 Form 2441 or Schedule 2 (Form 1040A)) . . . . .	9.	2,000
10. Subtract amount on line 9 from amount on line 8 and enter the result. If zero or less, stop here. You cannot increase your credit by any previous year's expenses . . . . .	10.	600
11. Enter your 2004 adjusted gross income (from line 37 of your 2004 Form 1040 or line 22 of your 2004 Form 1040A) . . . . .	11.	30,000
12. Find your 2004 adjusted gross income in the table below and enter the corresponding decimal amount here . . . . .	12.	.27

<b>IF your 2004 adjusted gross income is:</b>		<b>THEN the decimal</b>
<b>Over</b>	<b>But not over</b>	<b>amount is:</b>
\$ 0	— \$15,000	.35
15,000	— 17,000	.34
17,000	— 19,000	.33
19,000	— 21,000	.32
21,000	— 23,000	.31
23,000	— 25,000	.30
25,000	— 27,000	.29
27,000	— 29,000	.28
29,000	— 31,000	.27
31,000	— 33,000	.26
33,000	— 35,000	.25
35,000	— 37,000	.24
37,000	— 39,000	.23
39,000	— 41,000	.22
41,000	— 43,000	.21
43,000	— No limit	.20

13. Multiply line 10 by line 12. Add this amount to your 2005 credit and enter the total on line 9 of your 2005 Form 2441 or Schedule 2 (Form 1040A). Enter the following on the dotted line next to line 9 of Form 2441 or in the space to the left of line 9 on Schedule 2 (Form 1040A):	13.	\$162
• "CPYE"		
• The amount of this credit for a prior year's expenses		
• The name and taxpayer identification number of the person for whom you paid the prior year's expenses . . . . .		

## Examples

The following examples show how to figure the credit for child and dependent care expenses. A filled-in page 1 of Schedule 2 (Form 1040A) that illustrates *Example 1* and a filled-in Form 2441 (filed with Form 1040) that illustrates *Example 2* are shown after the examples.

### Example 1. Childcare — Two Children

Jerry and Ann Jones are married and keep up a home for their two preschool children, ages 2 and 4. They claim their children as dependents and file a joint return using Form 1040A. Their adjusted gross income (AGI) is \$27,500. Jerry earned \$12,500 and Ann earned \$15,000.

During the year, they pay work-related expenses of \$3,000 for childcare for their son Daniel at a neighbor's home and \$3,200 for childcare for their daughter Amy at Pine Street Nursery School.

They figure their credit on Schedule 2 as follows.

1) Childcare provided by their neighbor . . . . .	\$ 3,000
2) Childcare provided by the nursery school . . . . .	+3,200
3) Total work-related expenses . . . . .	\$ 6,200
4) Dollar limit . . . . .	\$ 6,000
5) Lesser of expenses paid (\$6,200) or dollar limit (\$6,000) . . . . .	\$ 6,000
6) Percentage for AGI of \$27,500 (28%) . . . . .	.28
7) Multiply the amount on line 5 by the percentage on line 6 (\$6,000 x .28) . . . . .	\$ 1,680
8) Enter the amount from line 28 of Form 1040A . . . .	\$ 473
9) Credit (Enter the smaller of line 7 or line 8) . . . . .	\$ 473

The amount of credit they can claim is limited to their tax, \$473.

### Example 2. Dependent Care Benefits

Joan Thomas is divorced and has two children, ages 3 and 9. She works at ACME Computers. Her adjusted gross income (AGI) is \$29,000, and the entire amount is earned income.

Joan's younger child (Susan) stays at her employer's on-site childcare center while she works. The benefits from this childcare center qualify to be excluded from her income. Her employer reports the value of this service as \$3,000 for the year. This \$3,000 is shown on her Form W-2 in box 10, but is not included in taxable wages in box 1.

A neighbor cares for Joan's older child (Seth) after school, on holidays, and during the summer. She pays her neighbor \$2,400 for this care.

Joan figures her credit on Form 2441 as follows.

1) Work-related expenses Joan paid . . . . .	\$ 2,400
2) Dollar limit (2 or more qualified individuals) . . . . .	\$ 6,000
3) Minus: Dependent care benefits excluded from Joan's income . . . . .	-3,000
4) Reduced dollar limit . . . . .	\$ 3,000
5) Lesser of expenses paid (\$2,400) or dollar limit (\$3,000) . . . . .	\$ 2,400
6) Percentage for AGI of \$29,000 (28%) . . . . .	.28
7) Multiply the amount on line 5 by the percentage on line 6 (\$2,400 x .28) . . . . .	\$ 672
8) Enter the amount from Form 1040, line 46 . . . . .	\$ 1,296
9) Enter the amount from Form 1040, line 47 . . . . .	\$ 0
10) Subtract line 9 from line 8 . . . . .	\$ 1,296
11) Credit (Enter the smaller of line 7 or line 10) . . . . .	\$ 672



# Child and Dependent Care Expenses

▶ Attach to Form 1040.

▶ See separate instructions.

Name(s) shown on Form 1040

Joan Thomas

Your social security number

559 : 00 : 3436

**Before you begin:** You need to understand the following terms. See **Definitions** on page 1 of the instructions.

- **Dependent Care Benefits**
- **Qualifying Person(s)**
- **Qualified Expenses**

**Part I** **Persons or Organizations Who Provided the Care**—You must complete this part.  
 (If you need more space, use the bottom of page 2.)

1	(a) Care provider's name	(b) Address (number, street, apt. no., city, state, and ZIP code)	(c) Identifying number (SSN or EIN)	(d) Amount paid (see instructions)
	Pat Green	12 Ash Avenue Hometown, TX 75240	240-00-3811	2,400
	ACME Computers	(See W-2)		

Did you receive dependent care benefits?	No	Yes	Complete only Part II below. Complete Part III on the back next.
--	----	-----	---

**Caution.** If the care was provided in your home, you may owe employment taxes. See the instructions for Form 1040, line 62.

**Part II** **Credit for Child and Dependent Care Expenses**

**2** Information about your **qualifying person(s)**. If you have more than two qualifying persons, see the instructions.

(a) Qualifying person's name		(b) Qualifying person's social security number	(c) Qualified expenses you incurred and paid in 2005 for the person listed in column (a)
First	Last		
Seth	Thomas	559 : 00 : 1234	2,400
Susan	Thomas	559 : 00 : 5678	

<b>3</b> Add the amounts in column (c) of line 2. <b>Do not</b> enter more than \$3,000 for one qualifying person or \$6,000 for two or more persons. If you completed Part III, enter the amount from line 32 . . . . .	<b>3</b>	2,400																																																													
<b>4</b> Enter your <b>earned income</b> . See instructions . . . . .	<b>4</b>	29,000																																																													
<b>5</b> If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions); <b>all others</b> , enter the amount from line 4 . . . . .	<b>5</b>	29,000																																																													
<b>6</b> Enter the <b>smallest</b> of line 3, 4, or 5 . . . . .	<b>6</b>	2,400																																																													
<b>7</b> Enter the amount from Form 1040, line 38 . . . . .	<b>7</b>	29,000																																																													
<b>8</b> Enter on line 8 the decimal amount shown below that applies to the amount on line 7																																																															
<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="3" style="text-align: left;">If line 7 is:</th> <th colspan="3" style="text-align: left;">If line 7 is:</th> </tr> <tr> <th style="text-align: left;">Over</th> <th style="text-align: left;">But not over</th> <th style="text-align: left;">Decimal amount is</th> <th style="text-align: left;">Over</th> <th style="text-align: left;">But not over</th> <th style="text-align: left;">Decimal amount is</th> </tr> <tr> <td>\$0—15,000</td> <td></td> <td>.35</td> <td>\$29,000—31,000</td> <td></td> <td>.27</td> </tr> <tr> <td>15,000—17,000</td> <td></td> <td>.34</td> <td>31,000—33,000</td> <td></td> <td>.26</td> </tr> <tr> <td>17,000—19,000</td> <td></td> <td>.33</td> <td>33,000—35,000</td> <td></td> <td>.25</td> </tr> <tr> <td>19,000—21,000</td> <td></td> <td>.32</td> <td>35,000—37,000</td> <td></td> <td>.24</td> </tr> <tr> <td>21,000—23,000</td> <td></td> <td>.31</td> <td>37,000—39,000</td> <td></td> <td>.23</td> </tr> <tr> <td>23,000—25,000</td> <td></td> <td>.30</td> <td>39,000—41,000</td> <td></td> <td>.22</td> </tr> <tr> <td>25,000—27,000</td> <td></td> <td>.29</td> <td>41,000—43,000</td> <td></td> <td>.21</td> </tr> <tr> <td>27,000—29,000</td> <td></td> <td>.28</td> <td>43,000—No limit</td> <td></td> <td>.20</td> </tr> </table>	If line 7 is:			If line 7 is:			Over	But not over	Decimal amount is	Over	But not over	Decimal amount is	\$0—15,000		.35	\$29,000—31,000		.27	15,000—17,000		.34	31,000—33,000		.26	17,000—19,000		.33	33,000—35,000		.25	19,000—21,000		.32	35,000—37,000		.24	21,000—23,000		.31	37,000—39,000		.23	23,000—25,000		.30	39,000—41,000		.22	25,000—27,000		.29	41,000—43,000		.21	27,000—29,000		.28	43,000—No limit		.20			<b>8</b> X .28
If line 7 is:			If line 7 is:																																																												
Over	But not over	Decimal amount is	Over	But not over	Decimal amount is																																																										
\$0—15,000		.35	\$29,000—31,000		.27																																																										
15,000—17,000		.34	31,000—33,000		.26																																																										
17,000—19,000		.33	33,000—35,000		.25																																																										
19,000—21,000		.32	35,000—37,000		.24																																																										
21,000—23,000		.31	37,000—39,000		.23																																																										
23,000—25,000		.30	39,000—41,000		.22																																																										
25,000—27,000		.29	41,000—43,000		.21																																																										
27,000—29,000		.28	43,000—No limit		.20																																																										
<b>9</b> Multiply line 6 by the decimal amount on line 8. If you paid 2004 expenses in 2005, see the instructions . . . . .	<b>9</b>	672																																																													
<b>10</b> Enter the amount from Form 1040, line 46, minus any amount on Form 1040, line 47 . . . . .	<b>10</b>	1,296																																																													
<b>11</b> <b>Credit for child and dependent care expenses.</b> Enter the <b>smaller</b> of line 9 or line 10 here and on Form 1040, line 48 . . . . .	<b>11</b>	672																																																													

**For Paperwork Reduction Act Notice, see page 4 of the instructions.**

**Part III Dependent Care Benefits**

<b>12</b>	Enter the total amount of <b>dependent care benefits</b> you received in 2005. Amounts you received as an employee should be shown in box 10 of your Form(s) W-2. <b>Do not</b> include amounts reported as wages in box 1 of Form(s) W-2. If you were self-employed or a partner, include amounts you received under a dependent care assistance program from your sole proprietorship or partnership . . . . .	<b>12</b>	3,000	
<b>13</b>	Enter the amount forfeited or carried forward to 2006, if any (see the instructions) . . . . .	<b>13</b>		
<b>14</b>	Subtract line 13 from line 12 . . . . .	<b>14</b>	3,000	
<b>15</b>	Enter the total amount of <b>qualified expenses</b> incurred in 2005 for the care of the <b>qualifying person(s)</b> . . . . . Enter the <b>smaller</b> of line 14 or 15 . . . . . Enter your <b>earned income</b> . See instructions . . . . . Enter the amount shown below that applies to you. • If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions for line 5). • If married filing separately, see the instructions for the amount to enter. • All others, enter the amount from line 17. } . . . . .	<b>15</b>	5,400	
<b>16</b>		<b>16</b>	3,000	
<b>17</b>		<b>17</b>	29,000	
<b>18</b>		<b>18</b>	29,000	
<b>19</b>	Enter the <b>smallest</b> of line 16, 17, or 18 . . . . .	<b>19</b>	3,000	
<b>20</b>	Enter the amount from line 12 that you received from your sole proprietorship or partnership. If you did not receive any such amounts, enter -0- . . . . .	<b>20</b>	-0-	
<b>21</b>	Subtract line 20 from line 14 . . . . .	<b>21</b>	3,000	
<b>22</b>	Enter \$5,000 (\$2,500 if married filing separately <b>and</b> you were required to enter your spouse's earned income on line 18) . . . . .	<b>22</b>	5,000	
<b>23</b>	<b>Deductible benefits.</b> Enter the <b>smallest</b> of line 19, 20, or 22. Also, include this amount on the appropriate line(s) of your return (see the instructions) . . . . .	<b>23</b>	-0-	
<b>24</b>	Enter the <b>smaller</b> of line 19 or 22 . . . . .	<b>24</b>	3,000	
<b>25</b>	Enter the amount from line 23 . . . . .	<b>25</b>	-0-	
<b>26</b>	<b>Excluded benefits.</b> Subtract line 25 from line 24. If zero or less, enter -0- . . . . .	<b>26</b>	3,000	
<b>27</b>	<b>Taxable benefits.</b> Subtract line 26 from line 21. If zero or less, enter -0-. Also, include this amount on Form 1040, line 7. On the dotted line next to line 7, enter "DCB" . . . . .	<b>27</b>	-0-	

To claim the child and dependent care credit, complete lines 28–32 below.

<b>28</b>	Enter \$3,000 (\$6,000 if two or more qualifying persons) . . . . .	<b>28</b>	6,000	
<b>29</b>	Add lines 23 and 26 . . . . .	<b>29</b>	3,000	
<b>30</b>	Subtract line 29 from line 28. If zero or less, <b>stop</b> . You cannot take the credit. <b>Exception.</b> If you paid 2004 expenses in 2005, see the instructions for line 9 . . . . .	<b>30</b>	3,000	
<b>31</b>	Complete line 2 on the front of this form. <b>Do not</b> include in column (c) any benefits shown on line 29 above. Then, add the amounts in column (c) and enter the total here . . . . .	<b>31</b>	2,400	
<b>32</b>	Enter the <b>smaller</b> of line 30 or 31. Also, enter this amount on line 3 on the front of this form and complete lines 4–11 . . . . .	<b>32</b>	2,400	

## How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

**Contacting your Taxpayer Advocate.** If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate independently represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:

- Call the Taxpayer Advocate toll free at 1-877-777-4778.
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call 1-800-829-4059 if you are a TTY/TDD user.
- Visit [www.irs.gov/advocate](http://www.irs.gov/advocate).

For more information, see Publication 1546, How To Get Help With Unresolved Tax Problems (now available in Chinese, Korean, Russian, and Vietnamese, in addition to English and Spanish).

**Free tax services.** To find out what services are available, get Publication 910, IRS Guide to Free Tax Services. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.



**Internet.** You can access the IRS website 24 hours a day, 7 days a week, at [www.irs.gov](http://www.irs.gov) to:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your 2005 refund. Click on *Where's My Refund*. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your 2005 tax return available because you will need to know your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.

- Figure your withholding allowances using our Form W-4 calculator.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.



**Phone.** Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-829-3676 to order current-year forms, instructions, and publications and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to [www.irs.gov/local-contacts](http://www.irs.gov/local-contacts) or look in the phone book under *United States Government, Internal Revenue Service*.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call 1-800-829-4477 and press 2 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* If you would like to check the status of your 2005 refund, call 1-800-829-4477 and press 1 for automated refund information or call 1-800-829-1954. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your 2005 tax return available because you will need to know your social security number, your filing status, and the exact whole dollar amount of your refund.

**Evaluating the quality of our telephone services.** To ensure that IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to sometimes listen in on or record telephone calls. Another is to ask some callers to complete a short survey at the end of the call.



**Walk-in.** Many products and services are available on a walk-in basis.

- *Products.* You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD-ROM or photocopy from

reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.

- **Services.** You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you're more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary, but if you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. To find the number, go to [www.irs.gov/localcontacts](http://www.irs.gov/localcontacts) or look in the phone book under *United States Government, Internal Revenue Service*.



**Mail.** You can send your order for forms, instructions, and publications to the address below and receive a response within 10 business days after your request is received.

National Distribution Center  
P.O. Box 8903  
Bloomington, IL 61702-8903



**CD-ROM for tax products.** You can order Publication 1796, IRS Tax Products CD-ROM, and obtain:

- A CD that is released twice so you have the latest products. The first release ships in late December and the final release ships in late February.

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions (FAQs).
- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.

Buy the CD-ROM from National Technical Information Service (NTIS) at [www.irs.gov/cdorders](http://www.irs.gov/cdorders) for \$25 (no handling fee) or call 1-877-233-6767 toll free to buy the CD-ROM for \$25 (plus a \$5 handling fee).



**CD-ROM for small businesses.** Publication 3207, The Small Business Resource Guide CD-ROM for 2005, has a new look and enhanced navigation features. This year's CD includes:

- Helpful information, such as how to prepare a business plan, find financing for your business, and much more.
- All the business tax forms, instructions, and publications needed to successfully manage a business.
- Tax law changes for 2005.
- IRS Tax Map to help you find forms, instructions, and publications by searching on a keyword or topic.
- Web links to various government agencies, business associations, and IRS organizations.
- "Rate the Product" survey—your opportunity to suggest changes for future editions.

An updated version of this CD is available each year in early April. You can get a free copy by calling 1-800-829-3676 or by visiting [www.irs.gov/smallbiz](http://www.irs.gov/smallbiz).



<b>Q</b>			
Qualifying child .....	3	<b>Social security numbers</b> .....	7
<b>Qualifying person:</b>		<b>Spouse:</b>	
Care for .....	6	Both spouses qualifying .....	10
Expenses not for care .....	6	Death of .....	7
<b>Qualifying person test</b> .....	3	Nonworking, earned income .....	5
Tests to claim credit (Figure		Not able to care for self .....	3, 5, 9
A) .....	2	Qualifying person .....	3
		Separated .....	9
		Student .....	5, 9
		Surviving .....	9
		Working .....	10
<b>R</b>		<b>Students:</b>	
<b>Recordkeeping</b>		Full-time .....	5
requirements .....	11	Spouse .....	5, 9
<b>Reduced dollar limit</b> .....	10	<b>Suggestions for publication</b> .....	2
Tests to claim credit (Figure			
A) .....	3	<b>T</b>	
<b>Refusal by provider to give</b>		<b>Tax help</b> .....	18
information .....	8	<b>Taxes on wages</b> (See Employment	
<b>Reimbursed expenses</b> .....	8	taxes)	
<b>Relatives, payments to</b> .....	7	<b>Taxpayer Advocate</b> .....	18
Tests to claim credit (Figure		<b>Taxpayer identification number</b>	
A) .....	2	(TINs) .....	1, 3
<b>Religious faiths opposed to social</b>		Adoption .....	3
<b>security programs</b> .....	5	Aliens .....	3
		Providers .....	7
		<b>Tests to claim credit (Figure</b>	
<b>S</b>		A) .....	2
<b>School expenses</b> .....	6	<b>Tests to claim credit</b> .....	2-8
<b>Self-employed persons</b> .....	9	Determination (Figure A) .....	2
<b>Separated parents</b> .....	3, 7	Earned income .....	3
<b>Separated spouse</b> .....	9	Qualifying persons .....	3
<b>Sickness, work-related expenses</b>		Work-related expenses .....	5
<b>during</b> .....	6	<b>Transportation</b> .....	6
<b>Social security:</b> (See also			
Employment taxes) .....	11		
Religious faiths opposed to .....	5		
		<b>TTY/TDD information</b> .....	18
		<b>U</b>	
		<b>Unearned income</b> .....	5
		<b>V</b>	
		<b>Volunteer work</b> .....	6
		<b>W</b>	
		<b>Wages, taxes on</b> (See Employment	
		taxes)	
		<b>Withholding:</b>	
		Federal income tax .....	11
		<b>Work-related expense test</b> .....	5-7
		Partly work-related expenses .....	6
		Tests to claim credit (Figure	
		A) .....	2
		<b>Work-related expenses:</b>	
		Earned income limit .....	9
		Figuring of credit .....	8
		Medical .....	8
		Paid following year .....	8, 11, 12
		Partly work-related expenses .....	6
		Prepaid .....	8
		Recordkeeping .....	11
		Reimbursed .....	8
		<b>Worksheets:</b>	
		2004 expenses paid in 2005	
		(Worksheet A) .....	12

**Tax Publications for Individual Taxpayers** See *How To Get Tax Help* for a variety of ways to get publications, including by computer, phone, and mail.

<p><b>General Guides</b></p> <p><b>1</b> Your Rights as a Taxpayer</p> <p><b>17</b> Your Federal Income Tax (For Individuals)</p> <p><b>334</b> Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)</p> <p><b>509</b> Tax Calendars for 2006</p> <p><b>553</b> Highlights of 2005 Tax Changes</p> <p><b>910</b> Guide to Free Tax Services</p> <p><b>Specialized Publication</b></p> <p><b>3</b> Armed Forces' Tax Guide</p> <p><b>54</b> Tax Guide for United States Citizens and Residents Aliens Abroad</p> <p><b>225</b> Farmer's Tax Guide</p> <p><b>463</b> Travel, Entertainment, Gift, and Car Expenses</p> <p><b>501</b> Exemptions, Standard Deduction, and Filing Information</p> <p><b>502</b> Medical and Dental Expenses</p> <p><b>503</b> Child and Dependent Care Expenses</p> <p><b>504</b> Divorced or Separated Individuals</p> <p><b>505</b> Tax Withholding and Estimated Tax</p> <p><b>508</b> Tax Benefits for Work-Related Education</p> <p><b>514</b> Foreign Tax Credit for Individuals</p> <p><b>516</b> United States Government Civilian Employees Stationed Abroad</p> <p><b>517</b> Social Security and Other Information for Members of the Clergy and Religious Workers</p> <p><b>519</b> United States Tax Guide for Aliens</p> <p><b>520</b> Scholarships and Fellowships</p> <p><b>521</b> Moving Expenses</p> <p><b>523</b> Selling Your Home</p> <p><b>524</b> Credit for the Elderly or the Disabled</p> <p><b>525</b> Taxable and Nontaxable Income</p> <p><b>526</b> Charitable Contributions</p> <p><b>527</b> Residential Rental Property</p> <p><b>529</b> Miscellaneous Deductions</p> <p><b>530</b> Tax Information for First-Time Homeowners</p>	<p><b>531</b> Reporting Tip Income</p> <p><b>534</b> Depreciating Property Placed in Service Before 1987</p> <p><b>536</b> Net Operating Losses for Individuals, Estates, and Trusts</p> <p><b>537</b> Installment Sales</p> <p><b>541</b> Partnerships</p> <p><b>544</b> Sales and Other Dispositions of Assets</p> <p><b>547</b> Casualties, Disasters, and Thefts</p> <p><b>550</b> Investment Income and Expenses</p> <p><b>551</b> Basis of Assets</p> <p><b>552</b> Recordkeeping for Individuals</p> <p><b>554</b> Older Americans' Tax Guide</p> <p><b>555</b> Community Property</p> <p><b>556</b> Examination of Returns, Appeal Rights, and Claims for Refund</p> <p><b>559</b> Survivors, Executors, and Administrators</p> <p><b>561</b> Determining the Value of Donated Property</p> <p><b>564</b> Mutual Fund Distributions</p> <p><b>570</b> Tax Guide for Individuals With Income From United States Possessions</p> <p><b>571</b> Tax-Sheltered Annuity Plans (403(b) Plans)</p> <p><b>575</b> Pension and Annuity Income</p> <p><b>584</b> Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)</p> <p><b>587</b> Business Use of Your Home (Including Use by Day-care Providers)</p> <p><b>590</b> Individual Retirement Arrangements</p> <p><b>593</b> Tax Highlights for United States Citizens and Residents Going Abroad</p> <p><b>594</b> The Internal Revenue Service Collection Process</p> <p><b>596</b> Earned Income Credit</p> <p><b>721</b> Tax Guide to United States Civil Service Retirement Benefits</p> <p><b>901</b> United States Tax Treaties</p> <p><b>907</b> Tax Highlights for Persons with Disabilities</p>	<p><b>908</b> Bankruptcy Tax Guide</p> <p><b>915</b> Social Security and Equivalent Railroad Retirement Benefits</p> <p><b>919</b> How Do I Adjust My Tax Withholding?</p> <p><b>925</b> Passive Activity and At-Risk Rules</p> <p><b>926</b> Household Employer's Tax Guide</p> <p><b>929</b> Tax Rules for Children and Dependents</p> <p><b>936</b> Home Mortgage Interest Deduction</p> <p><b>946</b> How To Depreciate Property</p> <p><b>947</b> Practice Before the Internal Revenue Service and Power of Attorney</p> <p><b>950</b> Introduction to Estate and Gift Taxes</p> <p><b>967</b> Internal Revenue Service Will Figure Your Tax</p> <p><b>969</b> Medical Savings Accounts</p> <p><b>970</b> Tax Benefits for Education</p> <p><b>971</b> Innocent Spouse Relief</p> <p><b>972</b> Child Tax Credit (For Individuals Sent Here From the Form 1040 or 1040A Instructions)</p> <p><b>1542</b> Per Diem Rates</p> <p><b>1544</b> Reporting Cash Payments of Over \$10,000</p> <p><b>1546</b> The Taxpayer Advocate Service of the Internal Revenue Service</p> <p><b>Spanish Language Publications</b></p> <p><b>1SP</b> Derechos del Contribuyente</p> <p><b>579SP</b> Cómo Preparar la Declaración de Impuesto Federal</p> <p><b>594SP</b> Qué es lo que Debemos Saber sobre el Proceso de Cobro del IRS</p> <p><b>596SP</b> Crédito por Ingreso del Trabajo</p> <p><b>850</b> English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service</p> <p><b>1544SP</b> Informe de Pagos en Efectivo en Exceso de \$10,000 (Recibidos en una Ocupación o Negocio)</p>
---	--	--

**Commonly Used Tax Forms** See *How To Get Tax Help* for a variety of ways to get forms, including by computer, phone, and mail.

Form Number and Form Title	Form Number and Form Title
<b>1040</b> United States Individual Income Tax Return	<b>1040X</b> Amended United States Individual Income Tax Return
<b>Schedule A &amp; B</b> Itemized Deductions & Interest and Ordinary Dividends	<b>2106</b> Employee Business Expenses
<b>Schedule C</b> Profit or Loss From Business	<b>2106-EZ</b> Unreimbursed Employee Business Expenses
<b>Schedule C-EZ</b> Net Profit From Business	<b>2210</b> Underpayment of Estimated Tax by Individuals, Estates, and Trusts
<b>Schedule D</b> Capital Gains and Losses	<b>2441</b> Child and Dependent Care Expenses
<b>Schedule D-1</b> Continuation Sheet for Schedule D	<b>2848</b> Power of Attorney and Declaration of Representative
<b>Schedule E</b> Supplemental Income and Loss	<b>3903</b> Moving Expenses
<b>Schedule EIC</b> Earned Income Credit	<b>4562</b> Depreciation and Amortization
<b>Schedule F</b> Profit or Loss From Farming	<b>4868</b> Application for Automatic Extension of Time To File United States Individual Income Tax Return
<b>Schedule H</b> Household Employment Taxes	<b>4952</b> Investment Interest Expense Deduction
<b>Schedule J</b> Income Averaging For Farmers and Fishermen	<b>5329</b> Additional Taxes on Qualified Plans (including Individual Retirement Arrangements) and Other Tax-Favored Accounts
<b>Schedule R</b> Credit for the Elderly or the Disabled	<b>6251</b> Alternative Minimum Tax--Individuals
<b>Schedule SE</b> Self-Employment Tax	<b>8283</b> Non-cash Charitable Contributions
<b>1040A</b> United States Individual Income Tax Return	<b>8582</b> Passive Activity Loss Limitations
<b>Schedule 1</b> Interest and Ordinary Dividends for Form 1040A Filers	<b>8606</b> Nondeductible Individual Retirement Arrangements
<b>Schedule 2</b> Child and Dependent Care Expenses for Form 1040A Filers	<b>8812</b> Additional Child Tax Credit
<b>Schedule 3</b> Credit for the Elderly or the Disabled for Form 1040A Filers	<b>8822</b> Change of Address
<b>1040EZ</b> Income Tax Return for Single and Joint Filers With No Dependents	<b>8829</b> Expenses for Business Use of Your Home
<b>1040-ES</b> Estimated Tax for Individuals	<b>8863</b> Education Credits
	<b>9465</b> Installment Agreement Request