

Child care credit - IRC § 21

- Applicable percentage × employment-related expenses
- Percentage is 35%-20% (phase-down)
- Cap on employment-related expenses (\$3000 or \$6000)
- No “double-dipping” with § 129
- Taxpayer must “rat” on the nanny!

Child credit - IRC § 24

“Qualifying child”

- IRC § 152(c)
 - Taxpayer’s child, sibling, niece or nephew
 - Lives with the taxpayer for more than ½ year
 - Younger than taxpayer *and*
 - Doesn’t provide more than one-half of his or her *own* support
- IRC § 24(c)(1)
 - Under age 17
- “Tie-breaker” rules - 152(c)(4)
 - Parent wins over others
 - Ties between parents go to one with whom child lives more
 - Other ties to taxpayer with highest income
 - Children of divorced parents (152(e)): “Release” by custodial to noncustodial parent trumps all else
- If older than 16 but younger than 19 (or < 24 + full-time student), \$500 credit - IRC §§ 24(h)(4), 152(c)(3)

Other dependents – \$500 credit per IRC § 24(h)(4)

- IRC § 152(d)
- “Qualifying relative”
 - Relative or member of taxpayer's household who has gross income less than \$4,700 for the year, if
 - the *taxpayer* provides more than one-half of the person's support, *and*
 - the person is not someone else's “qualifying child”

All “qualifying children” and other dependents

- Decreased standard deduction per IRC § 63(c)(5)
- Greater of:
 - \$1,250 or
 - Dependent's “earned income” (i.e., from personal services) plus \$400
- Never more than normal standard deduction (\$13,850)