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, grandchild, 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)(C), 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 $5,050 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:
  - $1,300 or
  - Dependent’s “earned income” (i.e., from personal services) plus $450

- Never more than normal standard deduction ($14,600)