

## 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!

## Dependency exemptions

- “Qualifying child”
  - Taxpayer's child, sibling, niece or nephew
  - Lives with the taxpayer for more than ½ year
  - Younger than taxpayer
  - Under age 19 (or < 24 full-time student), *and*
  - Doesn't provide more than one-half of his or her *own* support
- “Tie-breaker” rules
  - Parent wins over others
  - Ties between parents go to one with greater custody
  - Other ties to taxpayer with highest income
- Children of divorced parents: “Release” by custodial to noncustodial parent trumps all else
- “Qualifying relative”
  - Relative or member of taxpayer's household who has gross income less than \$4,050 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”
- For all dependents: If someone else can take you as a dependent, you can't take an exemption for yourself