

**Note:**

**The information on the following fact sheet is only preliminary. At the time of publication, the IRS had not published 2002 tax tables or tax credit information. The federal tax numbers shown here are drawn from the actual tax legislation (26 USCS § 1, § 21, and § 151, current through P.L. 107-146) as published on Lexis-Nexis. This tax law was used to create the table below for the Child and Dependent Care Credit calculation. For the example families, the federal standard and exemptions deductions should be correct, but the EITC credit is likely too low, as the 2001 value was used. None of the NY State information was finalized at the time of publication, so 2001 information was used.**

**In any case, the numbers on this fact sheet should be confirmed and updated once final 2002 tax year information is available.**

**Expected 2002 Child and Dependent Care Tax Credit Calculation Table**

If family adjusted gross income is:

<b>Over</b>	<b>But not over</b>	<b>Decimal amount is</b>
\$0	-- \$15,000	0.35
\$15,000	-- \$17,000	0.34
\$17,000	-- \$19,000	0.33
\$19,000	-- \$21,000	0.32
\$21,000	-- \$23,000	0.31
\$23,000	-- \$25,000	0.30
\$25,000	-- \$27,000	0.29
\$27,000	-- \$29,000	0.28
\$29,000	-- \$31,000	0.27
\$31,000	-- \$33,000	0.26
\$33,000	-- \$35,000	0.25
\$35,000	-- \$37,000	0.24
\$37,000	-- \$39,000	0.23
\$39,000	-- \$41,000	0.22
\$41,000	-- \$43,000	0.21
\$43,000	-- no limit	0.20



## Federal Child and Dependent Care Credit and New York Child and Dependent Care Credit

\* Expected information for 2002 Tax Year \*

**What:** A tax credit is money deducted from the total amount of tax a family owes. There are two child care tax credits that families in New York State can receive: a federal income tax credit and a state income tax credit. Families may receive both credits at the same time. Upon filing a tax return, families can receive all or some of the federal tax that has been taken from their paycheck (up to the eligible limit). The state credit is actually refundable, which means that even if you don't owe state taxes, you can still get a check from the state.

**Who Can Use It:** To qualify, you must have worked and earned income during a given year. You must also have paid for child care for children under the age of 13. Any kind of care qualifies as long as the care provider has an Employer Identification Number or Social Security Number. This includes care provided at a center, summer camp, family day care home, or relative (except if provided by a spouse, dependent, or child under age 19). If married, you must file jointly. If either parent does not earn more than what the family spends on care, you cannot take the credit.

**Details:** The maximum amount of care expense you can claim towards the credit is \$3,000 for one qualifying dependent or \$6,000 for two or more qualifying dependents. If you use a flexible spending account (FSA), you can only claim the difference between your FSA and the maximum allowable claim. The amount of your federal credit varies from 35% to 20% of your total claimed expenses, depending on family income. The amount of your state credit varies from 110% to 20% of the federal credit, again depending on your income. Approximate sample incomes, credits, and credit percentages are shown below.

Adjusted Gross Income	Federal Claim (percent of expenses)	NY State Claim (percent of federal credit)	Amount of Combined Credits	
			Care expense \$3,000	Care expense \$6,000
\$11,000	35%	110%	\$2,205	\$4,410
\$19,000	33%	110%	\$2,079	\$4,158
\$28,000	28%	108%	\$1,746	\$3,493
\$35,000	24%	103%	\$1,464	\$2,928
\$50,000	20%	100%	\$1,197	\$2,394
\$58,000	20%	57%	\$941	\$1,882
\$65,000	20%	20%	\$720	\$1,440

Example: With an adjusted gross income of \$11,000 and one child, your federal credit would be 35% of \$3,000 (\$1,050) and your state credit would be 110% of \$1,050 (\$1,155) for a total of \$2,205.

**The Bottom Line:** By combining both the federal and state tax credits, your family can save between \$720 and \$2,205 for one child, or between \$1,440 and \$4,410 for two or more children.

**Next Steps:** Consult a tax advisor if you need help figuring your credit when you file your taxes. The federal and state Dependent Care Credit forms and actual charts for credit percentages by income are available online at <http://www.irs.gov> and <http://www.tax.state.ny.us>.

**See other side of this sheet for two example families!**

**Example Family 1:** Anna Chen is a single mom with an adjusted gross income of \$30,000 a year. She has two children, both of whom are under 13 years old, and she spends \$4,000 a year on childcare. She files her taxes as head of household. The worksheet below shows how she can save \$2,231 through the federal and state child care credits.

	<b>Federal</b>	<b>NY State***</b>
Adjusted Gross Income	\$30,000	\$30,000
Standard Deduction	-\$6,900	-\$10,500
Exemptions Deduction	-\$9,000	-\$2,000
Taxable Income	\$14,100	\$17,500
Tax Liability	\$1,615	\$756
Earned Income Tax Credit*	-\$431	
<b>Tax Liability after EITC</b>	<b>\$1,184</b>	<b>\$756</b>
Qualifying Child Care Expenses	\$4,000	\$4,000
Child Care Credit @ 27% Federal, 107% State	\$1,080	\$1,151
<b>Tax Liability after Child Care Credit</b>	<b>\$104</b>	<b>-\$395**</b>
<b>Total Benefit</b>	<b>\$1,080</b>	<b>\$1,151</b>

\*This is the credit amount for 2001. 2002 Credit tables have not been released.

\*\*Since the state tax is refundable, Anna actually gets paid \$395 by the state.

\*\*\*2001 Information. NY State tax laws are not finalized for the 2002 tax year at this time.

**Example Family 2:** Jakisa and Rodney Roberts are married and have a combined adjusted gross income of \$50,000. They have two children, both of whom are under 13 years old, and they spend \$5,500 a year on childcare. They decide to file jointly. The simple worksheet below shows how they can save \$1,920 through federal and state child care credits.

	<b>Federal</b>	<b>NY State***</b>
Adjusted Gross Income	\$50,000	\$50,000
Standard Deduction	-\$7,850	-\$13,400
Exemptions Deduction	-\$12,000	-\$2,000
Taxable Income	\$30,150	\$34,600
<b>Tax Liability before Credit</b>	<b>\$3,923</b>	<b>\$1,629</b>
Qualifying Child Care Expenses	\$4,800	\$4,800
Child Care Credit @ 20% Federal, 100% State	\$960	\$960
<b>Tax Liability after Credit</b>	<b>\$2,963</b>	<b>\$669</b>
<b>Total Benefit</b>	<b>\$960</b>	<b>\$960</b>

This information reflects changes in the tax law from 2001 to 2002. The new law increased the maximum amount of care expenses you may claim from \$2,400 to \$3,000 for one child and from \$4,800 to \$6,000 for two or more children. Additionally, the percentage of these expenses which count towards the credit increased for all families with incomes less than \$43,000 a year.