



JANE BROWN
Executive Director

Financial Assistance - Tax Information

There are tax programs for which you may qualify, through the Internal Revenue Service (IRS), your state or your employer.

Federal Tax Credits

Child and Dependent Care Tax Credit:

Helps families pay for child care for children under the age of 13, if the parents are working, or looking for work. Parents who are full-time students can also claim the credit. Qualifying care includes child care centers, family child care homes and care provided by paid friends or relatives – as long as the relative is not a dependent taxpayer. The size of the credit depends on the number of children in care, your family income and the amount you paid for child care during the tax year. There are limits on the credit for one child and two or more children. To claim the credit, you must file either a Form 1040A or Form 1040 federal tax return and attach a separate form for the credit. If you file Form 1040A, use schedule 2 for the credit. If you file Form 1040, attach Form 2441.

Earned Income Tax Credit:

A refundable tax credit for low and moderate income families, particularly those with children. The EITC is based on family income and the number of children in the family. Both single and two-parent families are entitled to the credit, as long as one parent is employed. A number of states have their own Earned Income Tax Credits; check with your state department of revenue for more information.

State Tax Credits:

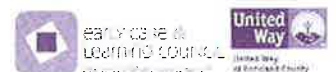
24 states have state tax programs related to the Child and Dependent Care Credit. Check with your state department of revenue for more information.

In-Home Care or Nanny Tax:

When you hire an in-home caregiver, you become an employer under federal law. You need to be aware of laws regarding taxes, verification of employment eligibility and minimum wage. For information on these topics, contact the Department of Labor, the Internal Revenue Service, an accountant, a tax advisor or an insurance agent.

You may want to check with your insurance agent if your homeowners'

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policy covers worker's compensation insurance. If your caregiver will be driving your car, you will want to notify your car insurance company. They will let you know if there are additional fees for adding the caregiver on your insurance policy.