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## REFUNDABLE TAX CREDIT AVAILABLE FOR FAMILIES WITH CHILD CARE EXPENSES

Families with child care expenses may be eligible for California's only refundable tax credit, a credit for child and dependent care expenses. The credit, which was established in 2000, provides up to \$907 dollars for families with two or more children or dependents. Families with one child may qualify for a credit of up to \$454. While most tax credits can only be used to reduce the amount of taxes owed, a refundable credit provides cash back to families who are eligible for a credit that exceeds their tax liability. The refundability of the state child and dependent care credit is important, since most low income families do not owe state personal income taxes. The child and dependent care credit:

- Provides a tax credit for families who pay for child or dependent care in order to work or look for work.
- Is calculated as a percentage of the parallel, non-refundable federal tax credit and applies to up to \$2,400 in expenses for one child or dependent or \$4,800 for more than one child or dependent.
- Is available to families that are not required to file a state tax return. However, families must file a return in order to claim a refund.
- Applies to amounts paid for care for a child under the age of 13 or a dependent of any age who is unable to care for him or herself.

In order to claim the credit, families must have income from work and must provide the social security number of the child or dependent that is receiving care and the name, address, and taxpayer identification or social security number for the child or dependent care provider. The state child and dependent care credit is limited to families with adjusted gross incomes of \$100,000 or less.

California Child and Dependent Care Tax Credit				
Adjusted Gross Income*	Federal Credit as a Percentage of Qualifying Expenses	State Credit as a Percentage of Federal Credit	State Credit for One Child or Dependent and \$2,400 in Qualified Expenses	State Credit for Two or More Children or Dependents and \$4,800 in Qualified Expenses
Up to \$10,000	30%	63%	\$454	\$907
\$28,000 to \$40,000	20%	63%	\$302	\$605
\$40,000 to \$70,000	20%	53%	\$254	\$509
\$70,000 to \$100,000	20%	42%	\$202	\$403

\*The federal credit phases down from 30 percent to 20 percent for families with incomes between \$10,000 and \$28,000

Many low income families may not know that they qualify for the credit or that they must file a California tax return in order to claim a refund. Families that do not claim the federal credit can claim the state credit by calculating how much they would have been eligible to claim for the federal credit. Information on how to apply for the credit is available from the California Franchise Tax Board ([www.ftb.ca.gov/forms/01\\_forms/01\\_3506.pdf](http://www.ftb.ca.gov/forms/01_forms/01_3506.pdf)).