

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER
-------------

DESCRIPTION

22/5

2007 SENATE FINANCE AND TAXATION

SB 2215

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2215

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 12, 2007

Recorder Job Number: # 3373 & # 3379

Committee Clerk Signature

*Sharon Penrow*

Minutes:

**Sen. Urlacher** called the committee to order and opened the hearing on SB 2215.

**Sen. Fiebiger** prime sponsor of the bill appeared in support with written testimony stating this bill enhances workforce development by increasing the affordability of child care for employees. (See attached)

**Sen. Oehlke**: the \$4,671.00 for 1 child, is that low?

**Answer**: I'm guessing is low.

**Sen. Horne**: On page 2, section 2, is that the section that allows for use of the short form? If it isn't the short form, that would eliminate about 98% of the people filing or thereabouts.

**Barb Arnold-Tengesdal**: ND Assoc. for the Education of Young Children appeared in support with written testimony. (See attached)

**Caitlin McDonald**: YMCA's of ND appeared in support with written testimony. (See attached).

**Sen. Cook**: regarding the fiscal note, Section 1 of the State income tax credit equal to a percentage of the federal dependant care credits without regard to if the tax payer actually claimed the federal credit.

**Barb**: my understanding was that it can only be taken if the person takes it from their federal credit.

**Donnita Wald**: Tax Dept. to answer Sen. Cook's question, yes as written does allow, you can claim credit with state if you don't claim federal.

**Sen. Cook**: If a significant number of tax payers are entitled to the federal credit but do not claim it on their federal return, the expected revenue loss due to the State credit would increase, so your saying this FN doesn't really reflect the way the bill was written?

**Donnita**: that's correct; the 2.3 million is based just on those who claimed the credit on their federal return. So it would probably increase but to what extent we don't know.

**Sen. Triplett**: is it a credit that can be claimed on the short form?

**Donnita**: yes it can.

No further testimony closed the hearing.

Discussion.

**Sen. Cook**: SB 2215 is going to need an amendment for me to support and that amendment would make it clear it only applies to those who actually take the federal credit. And I would move those amendments, seconded by Sen. Horne.

**Sen. Triplett**: asked for explanation regarding flex plan and how used. So they are getting tax free dollars up front so they still have the expense and still getting the affective benefit of the tax credit and by receiving it in advance. The idea would be that people who are now taking the flex plan are not required by their employers to do it; they are doing it as a matter of choice. Everybody would have equal access to it, it would be their choice if they take it or not.

**Sen. Cook**: I want to make clear that only those, this credit can only be taken by tax payers who take the federal credit.

**Sen. Oehlke**: they can't take both the flex comp benefit and the federal tax credit benefit.

**Sen. Triplett**: but under this amendment they are talking about they could still take the federal tax credit plus the State tax credit.

**Sen. Tollefson**: this may not affect the amendment but this fiscal note could be way off without the amendment.

Voice Vote: 7-0-0      Motion carries.

**Sen. Triplett**: made a Motion for **DO PASS** as Amended, seconded by Sen. Horne.

Roll Call Vote: 7-0-0      Sen. Oehlke will carry the bill.

# FISCAL NOTE

Requested by Legislative Council

02/13/2007

Amendment to: SB 2215

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			(\$2,537,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. SB 2215 provides an income tax credit for dependent care expenses.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 creates a state income tax credit equal to a percentage of the federal dependent care credit. The amount of the state credit varies depending on the taxpayer's adjusted gross income.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Based on the amount of federal dependent care credit claimed, Engr. SB 2215 is estimated to reduce state general fund revenues by \$2.537 million in the 2007-09 biennium.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/14/2007

# FISCAL NOTE

Requested by Legislative Council

01/16/2007

Bill/Resolution No.: SB 2215

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			(\$2,537,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2215 provides an income tax credit for dependent care expenses.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 creates a state income tax credit equal to a percentage of the federal dependent care credit, without regard to if the taxpayer actually claimed the federal credit. The amount of the state credit varies depending on the taxpayer's adjusted gross income.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Based on the amount of federal dependent care credit claimed, SB 2215 is estimated to reduce state general fund revenues by at least \$2.537 million in the 2007-09 biennium. This estimate only considers the share of taxpayers who claim the federal dependent care credit. If a significant number of taxpayers are entitled to the federal credit, but do not claim it on their federal return, the expected revenue loss due to the state credit would increase.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/10/2007

February 12, 2007

  
2-12-07

PROPOSED AMENDMENTS TO SENATE BILL NO. 2215

Page 1, line 9, replace ", to which" with "that" and replace "was entitled" with "claimed"

Page 1, line 10, remove the underscored comma

Page 1, line 11, remove ", without regard to whether the"

Page 1, line 12, remove "taxpayer claimed that federal income tax credit"

Renumber accordingly



Date: 2-12-07

Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2215

Senate Finance & Tax Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass as Amended

Motion Made By Sen. Triplett Seconded By Sen. \_\_\_\_\_

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Anderson	✓	
Sen. Tollefson	✓		Sen. Horne	✓	
Sen. Cook	✓		Sen. Triplett	✓	
Sen. Oehlke	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Oehlke

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2215: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2215 was placed on the Sixth order on the calendar.**

Page 1, line 9, replace ", to which" with "that" and replace "was entitled" with "claimed"

Page 1, line 10, remove the underscored comma

Page 1, line 11, remove ", without regard to whether the"

Page 1, line 12, remove "taxpayer claimed that federal income tax credit"

Renumber accordingly

2007 SENATE APPROPRIATIONS

SB 2215

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No.2215

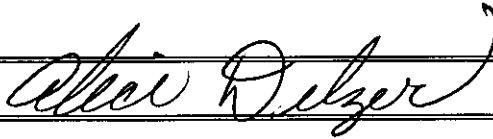
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-14-07

Recorder Job Number: 3484

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on SB 2215 at 9:00 am on February 14, 2007.

**Senator Fiebiger, District 4, Fargo** presented written testimony (1) and gave oral testimony in support of SB 2215. He also submitted written testimony (2) from Barb Arnold-Tengesdal, ND Association of Young Children (NDAEYC) in support of the bill.

Questions were asked regarding the new fiscal note and the savings a family would see.

**Linda Lembke, Director of the Child Care Resource and Referral program and President-Elect for ND from Fargo, ND** presented written testimony (3) and gave oral testimony in support of SB 2215. She also presented a Demographic Summary Child Care Resource and Referral (4) for written testimony in support of SB 2215.

**Senator Seymour** asked what she thought was the best child care service in Fargo.

**Senator Mathern** asked what Montana and Minnesota have regarding the federal tax credit.

**Senator Grindberg moved a DO PASS, Senator Mathern seconded. A roll call vote was taken resulting in 10 yeas, 4 nays, and 0 absent. The motion carried. Senator Oehlke from Finance and Tax will carry the bill.**

The hearing on SB 2215 closed.



REPORT OF STANDING COMMITTEE (410)  
February 14, 2007 12:18 p.m.

Module No: SR-31-3226  
Carrier: Oehike  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2215, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)**  
recommends **DO PASS** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed SB 2215 was placed on the Eleventh order on the calendar.

2007 HOUSE FINANCE AND TAXATION

SB 2215

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2215

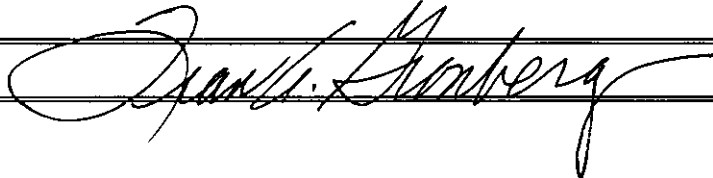
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 2-28-07

Recorder Job Number: 4097

Committee Clerk Signature



Minutes:

**Chairman Belter** opened the hearing on SB 2215.

**Senator Tom Fiebiger, Dist 45:** (testimony attached)

**Chairman Belter:** Under the federal rules does this credit only apply to people who are using child care facilities? Or people where one parent stays home with the family, there would be no credit?

**Senator Fiebiger:** Yes, that is correct the way the bill is written.

**Chairman Belter:** And this is only dealing with children. It has nothing to do with adult care.

**Senator Fiebiger:** That's correct.

**Rep Grande:** This is only for licensed day care facilities, it wouldn't be if grandma was to help out and babysit or the neighbors, or small day care that 's not licensed?

**Senator Fiebiger:** That's a good question. I think it's whoever's eligible under the federal credit.

**Rep Pinkerton:** (can't hear the question)

**Rep Weiler:** On page 1, line 18, - why you chose to stop giving a credit to people who have income over \$60,000, given the fact that the top 10% of tax payers in the US pay 90% of all taxes.



**Senator Fiebiger:** The idea was to draw a line where it would be able to help those where child care would have the largest impact. It was an arbitrary number.

**Rep Weiler:** Page 1, line 7, dependent care credit - is that term used in the federal law?

**Senator Fiebiger:** I don't know the exact answer, but I think that's accurate.

**Rep Kelsh:** I want to go on record in support of this bill.

**Chairman Belter:** This only does give credit to someone who is using day care.

**Rep Kelsh:** Yes.

**Rep Froseth:** This would have to be claimed on the state long form then, is that correct?

(couldn't hear answer)

**Barb Arnold-Tengesdal, ND Association for the Education of Young Children:**

(attachments # 2 and #3)

**Rep Headland:** When talking about the federal tax for dependent care, are there income limitations?

**Tengesdal:** I believe there are.

**Rep Owens:** There used to be, in reference to this stay at home, that if you stayed at home with your child and you were a full time student, that you could estimate your salary and it was based on the lowest of the two salaries of the working couple. Not the total. Do they still have that?

**Tengesdal:** I don't believe that 's available, but I do know that the tax dept can respond to that. I know that a year ago full time students working for degrees were eliminated in ND. They aren't even allowed to get childcare assistance even though they are low income.

**Caitlin McDonald, YMCA's:** (attachment #4)

Opposition

**Rod Backman, representing himself:** I don't know if I'm neutral or in opposition. I can't disagree with anything that's been said so far. I feel that it discriminates against those who have made the choice to have one spouse stay home and take care of the children. They're already given up the benefit of a second salary. I would encourage you that rather looking at a child dependent care tax credit, to consider on the tax return a per child tax credit that simply applies to the cost of caring for your children. You have costs whether they are in a day care or at home. One of the key factors on that would be that the fiscal note would be much higher. About 5-6 years ago, when I was at OMB, a \$70 tax credit was about a \$9M cost per year. The other point is that the Kiplinger tax letter that just came out indicates that they identified several bills that are coming into congress and they identified those that they thought had a liktely chance of succeeding, and one of them was to double the federal tax credit for child care. Because this fiscal note is tied to a percentage of the federal credit, should the feds double the credit. It would double your fiscal note.

**Rep Weiler:** You mentioned a \$70 per child tax credit would be a \$9M fiscal note. Would that for every child ages 1-8k?

**Backman:** That was based on the same figues the feds use. I think it's to like age 16 or younger, you would get \$1000.

**Rep Pinkerton:** Is this to be a refundable tax credit?

**Backman:** No, at the time we were looking at it, it was the same criteria as the federal and was not refundable. The fiscal note was obviously an estimate.

Opposition or Neutral

**Donnita Wald, Attorney with the Tax Dept:** At the federal level, a qualifying child who lived with the person for the year and the child must be under 13.

**Page 4**

**House Finance and Tax Committee**

**Bill/Resolution No. SB 2215**

**Hearing Date: 2-28-07**

**Rep Headland:** Are there income limitations?

**Wald:** What the child care credit does is max out the qualifying expenses. \$3000 for one child, \$6000 for two or more children. At an AGI of 15000 you get the maximum credit of 35%. For every 2000 AGI you have over that 15000, the percentage of your credit decreases by 1 point down to 20%. That's the lowest.

**Rep Headland:** But then your income after that is unlimited. You're still going to get the 20%.

**Wald:** Yes.

**Rep Pinkerton:** (can't hear the question)

**Wald:** That's correct.

**Chairman Belter** closed the hearing.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2215

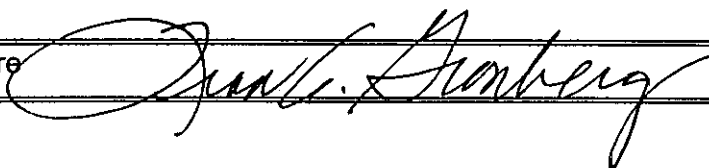
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 3-6-07

Recorder Job Number: 4409

Committee Clerk Signature



Minutes:

**Chairman Belter** reconvened the committee and asked them what they wanted to do with SB 2215.

**Rep Brandenburg** made a Do Not Pass motion on SB 2215

**Rep Drovdal** seconded the motion

(yes) 9 (no) 5 (absent) 0

**Carrier: Rep Froseth**

Date: 3/6/07  
Roll Call Vote #: 2215

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House Finance & Tax Committee

Check here for Conference Committee

Legislative Council Amendment  
Number

Action Taken Do Not Pass

Motion Made By Brandenburg Seconded By Drovdal

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich		✓
Vice Chairman Drovdal	✓		Rep. Kelsh		✓
Rep. Brandenburg	✓		Rep. Pinkerton		✓
Rep. Froseth	✓		Rep. Schmidt		✓
Rep. Grande	✓		Rep. Vig		✓
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham	✓				

Total (Yes) 9 No 5

Absent 0

Floor Assignment Rep. Froseth

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)  
March 6, 2007 12:25 p.m.

Module No: HR-42-4523  
Carrier: Froseth  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2215, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)**  
recommends **DO NOT PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed SB 2215 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2215

## Senate Bill 2215

Mr. Chairman, members of the Senate Finance and Taxation Committee, my name is Tom Fiebiger, Senator, District 45, Fargo. I am pleased to appear here today in support of Senate Bill 2215.

This bill enhances workforce development by increasing the affordability of child care for employees. Over half the states have similar child and dependent care tax provisions, including Minnesota and Montana. This makes our neighbor states attractive to young families in the labor force.

Lack of affordable child care has discouraged parents from working or taking a job in the community, according to a local study. (Child Care Arrangements in Grand Forks, 2000.) The labor force profits when employees are able access effective child care arrangements by lowering absenteeism and other workplace disruptions while increasing productivity. (CO Commission on Child Care Financing, 1995.)

Fees for one year of child care for one child in North Dakota range from \$4671.00 to \$6703.00 as compared to tuition fees for one year of college at the University of North Dakota at \$4774.00. (North Dakota Child Care Resource and Referral Agencies, April 2006.) The need for child care is relatively high in North Dakota.

In 2000, 46,413 North Dakota children under six years of age lived with one or both of their parents. In two parent homes, 71% of children under six had two employed parents. An even larger percentage (78%) of children in single parent families had a parent who worked. The vast majority of children of all ages in this state have employed parents. (North Dakota KIDS COUNT! Economic Impact of Child Care in North Dakota, NDSU, 2004.)

This is something tangible we can do to help create a family friendly environment in North Dakota. Working parents trying to raise a family in our state would receive a much needed state income tax credit to help offset this cost. As our population ages and young families struggle to afford daycare, we need to ask who will be working in this state in the future. It also means giving our young parents choices of more money for a different day care provider or, importantly, perhaps being able to work less and have more time with their children.

Mr. Chairman, to help North Dakota families, I respectfully request this committee's favorable consideration and a Do Pass recommendation for Senate Bill 2215.



To: Herb Urlacher, Chairman, Senate Finance and Taxation Committee

From: Barb Arnold-Tengesdal,  
North Dakota Association for the Education of Young Children

Date: February 12th, 2007

Re: Testimony in support of SB 2215

Same  
given to  
House  
Finance & Tax

The North Dakota Association for the Education of Young Children (NDAEYC) is a professional organization connected with NAEYC, and currently has 380 statewide members. The mission of this association is to serve and act on the behalf of children birth to age eight. We work in collaboration with other early childhood groups around the state, such as the ND Head Start Association, ND Kindergarten Association, ND Early Childhood Higher Education Consortium

We urge your support of SB 2215.

The average cost of fulltime childcare in North Dakota can range from \$4600 to \$6700 per child, more than the cost of tuition at a state university (2006 child care data from [www.ndchildcare.org](http://www.ndchildcare.org)). Parents are burdened with the expense of rearing children while staying employed with little or no financial support. To aid families in their efforts to stay employed and build North Dakota's economy, a proposed tax credit for child care expenses incurred by individuals while working is outlined in SB 2215. It is based on a percentage of the federal credit taken.

With over 79% of North Dakota mothers of young children in the labor force (Kid Count 2006), the reality is the majority of women are currently working outside the home. We must begin to see there is not a conflict between helping working families meet their child care needs and supporting "stay-at-home" parents. Many parents (women in particular) move in and out of the labor force at different points in the children's lives. Working parents and stay-at-home parents are not two separate groups in conflict with one another. Many women who work outside the home do not have any other choice. Helping working families pay for their child care expenses does not favor working families over those with a parent at home. A family with child care expenses that are partially offset by a tax credit will still have **less** disposable income than a family at the same income level that has no child care expenses.

It is important to note that this bill addresses a percentage of a taxpayers federal DCTC (Dependent Care Tax Credit) not the federal CTC (Child Tax Credit) or the EITC (Earned Income Tax Credit). It is a graduated scale and peaks out at \$60,000 adjusted gross income. To see an example of how this would affect a working middle-income family, a questions and answers sheet is provided that charts out the federal credit that can be taken.

We believe passing SB 2215 is one of the steps to creating a family friendly environment in our state. We believe it encourages young people to raise children and use the dollars that stay in their wallets to put it back in the community either paying for services such as higher quality child care, enrolling children in community activities or buying merchandise in local stores.

*Grow North Dakota.... Invest in Children.*

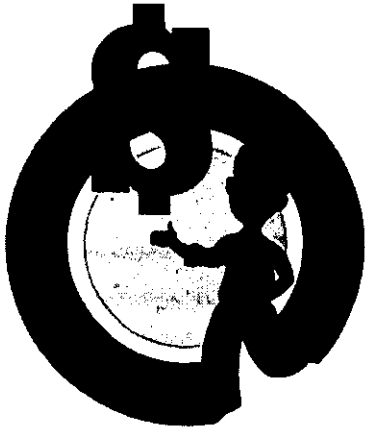
*Child care keeps families working!*

the expenses of a quality program. Fees for one year of child care for one child range from \$4,671.00 to \$6,703.00 as compared to tuition fees for one year of college at the University of North Dakota at \$4,774.00.

**P-1: Annual Cost of Child Care in a Child Care Center**

County	Infants	Toddlers	Preschool	School-Age
Cass	\$6,688.00	\$ 6,641.50	\$ 5,914.00	\$ 5,089.50
Grand Forks	\$6,703.50	\$ 6,628.50	\$ 5,805.00	\$ 5,041.50
Burleigh	\$6,489.00	\$ 6,520.50	\$ 6,787.50	\$ 5,187.00
Ward	\$5,489.50	\$ 5,471.50	\$ 4,917.00	\$ 4,796.50
Rural	\$5,148.50	\$ 5,043.00	\$ 4,671.00	\$ 4,392.00

*Source: North Dakota Child Care Resource and Referral Agencies, April, 2006*



# QUESTIONS AND ANSWERS ABOUT THE CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES TAX YEAR 2006

1. *What is the federal Child and Dependent Care Tax Credit?*

The federal **Child and Dependent Care Tax Credit** provides up to \$2,100 in tax assistance to families who pay for care for a qualifying child in order to work in paid employment.

The amount of the credit is based on your income, the number of your dependents in care, and the amount you pay for the care. Families of all income levels are eligible. In general, the higher your child care expenses and the lower your income, the larger your credit.

*Note:* The **Child and Dependent Care Tax Credit** also covers employment-related care expenses for a spouse or other qualifying person (including a child of any age) who is incapable of caring for himself or herself. If you paid for care for such an individual, you should get more information about the circumstances under which such care is covered by reading Publication 503 on the Internal Revenue Service (IRS) website, at [www.irs.gov](http://www.irs.gov).

2. *Am I eligible for the Child and Dependent Care Tax Credit?*

To be eligible for the **Child and Dependent Care Tax Credit**, you must:

- Have paid for child care in 2006 for a qualifying child who was under age 13 when the care was provided; *and*
- Have needed the child care to enable you to work or look for work (if you are married, both you and your spouse must have needed the care to work or look for work, or one spouse must have been a full-time student, or unable to care for himself or herself); *and*
- Paid less for care than the amount of your 2006 earned income. (If you are married and filing a joint return, you must have paid less for care than the amount of your earned income or your spouse's earned income, whichever is smaller. (There are special rules for calculating the earned income of a spouse who was a full-time student or unable to care for himself or herself).)

In general, you can only claim the credit for a child whom you can claim as a dependent on your tax return for 2006, but there are special rules for children of certain divorced or separated parents (*see question 5*).

3. *How do I determine if I have a qualifying child for whom I can claim the Child and Dependent Care Tax Credit?*

A qualifying child for the **Child and Dependent Care Tax Credit** is an individual who:

- Is your child, stepchild, adopted child (or child lawfully placed with you for legal adoption), foster child (placed with you by an authorized placement agency or court action), sibling, half-sibling, step-sibling, or a descendant of any of these individuals (e.g., grandchild, niece); *and*
- Lived with you for more than half the year (there are special rules for children who were born or died during 2006, were temporarily absent, or were kidnapped); *and*
- Did not provide over half of his or her own support; *and*
- Is a U.S. citizen or resident alien, or a resident of Mexico or Canada (except for certain adopted children).

