

Schedule M1CD, Child and Dependent Care Credit 2016

Sequence #5

Filing Information

Your First Name and Initial Last Name Social Security Number

Children or other qualifying persons for whom you are claiming this credit (see instructions for definition of qualifying person):

Name Birth Date (mmddyyyy) Social Security Number

Persons or organizations who provided the care: Name Amount paid Social Security Number (or federal business ID number)

Place an X in this box if you operate a licensed family day care home and are claiming the credit for your own child(ren). Enter your day care license number:

Place an X in this box if you are a married couple filing jointly and are claiming the credit for your child born in 2016.

All Applicants Round amounts to the nearest whole dollar.

All Applicants

- 1 Federal adjusted gross income (from line 37 of federal Form 1040, line 21 of Form 1040A, or line 4 of Form 1040EZ) 1
2 Nontaxable Social Security and/or Railroad Retirement Board benefits received and not included in line 1 above (include amounts deducted for Medicare premiums) 2
3 Deduction for payments made to an IRA, SEP or SIMPLE plan (add lines 28 and 32 of Form 1040 or line 17 of Form 1040A). 3
4 Total payments from programs including MFIP (Minnesota Family Investment Program), MSA (Minnesota Supplemental Aid), SSI (Supplemental Security Income), GA (General Assistance) and GRH (Group Residential Housing) 4
5 Additional nontaxable income - such as contributions to a 401(k) or deferred compensation plan and scholarships and grants - that you must include (see instructions) 5
6 Household income. Add lines 1 through 5 (if result is zero or less, enter 0) 6
7 Using the amount on line 6, and the number of qualifying children, find the credit amount from the table on the back of this schedule 7
8 Amount from line 9 of federal Form 2441 8
9 Amount from line 7 or line 8, whichever is less. Full-year residents, enter the result here and on line 1 of Schedule M1REF. Enter the number of qualifying persons in the box on line 1 of Schedule M1REF. 9

Part-Year Residents, Nonresidents, and American Indians Living on a Reservation

P/Y, Nonresidents, and American Indians

- 10 If you are married add lines 4 and 5 of federal Form 2441. If you are single enter line 4 of Form 2441. 10
11 Portion of the amount on line 10 that is taxable to Minnesota 11
12 Divide Line 11 by line 10. Enter the result as a decimal (carry to five decimal places) 12
13 Multiply line 9 by line 12. Enter the result here and on line 1 of Schedule M1REF. Enter the number of qualifying persons in the box on line 1 of Schedule M1REF. 13

Include this schedule and a copy of your federal Form 2441 with your Form M1.

2016 M1CD, page 2

Table for Line 7

If line 6 of
Schedule M1CD is: and you have:

		one	two or more
	but not	qualifying	qualifying
over	over —	person	persons

the credit amount for line 7 is

\$0	\$25,860	\$720	\$1,440
25,860	26,210	702	1,404
26,210	26,560	684	1,368
26,560	26,910	666	1,332
26,910	27,260	648	1,296
27,260	27,610	630	1,260
27,610	27,960	612	1,224
27,960	28,310	594	1,188
28,310	28,660	576	1,152
28,660	29,010	558	1,116
29,010	29,360	540	1,080
29,360	29,710	522	1,044
29,710	30,060	504	1,008
30,060	30,410	486	972
30,410	30,760	468	936
30,760	31,110	450	900
31,110	31,460	432	864
31,460	31,810	414	828
31,810	32,160	396	792
32,160	32,510	378	756
32,510	32,860	360	720
32,860	33,210	342	684
33,210	33,560	324	648
33,560	33,910	306	612
33,910	34,260	288	576
34,260	34,610	270	540
34,610	34,960	252	504
34,960	35,310	234	468
35,310	35,660	216	432
35,660	36,010	198	396
36,010	36,360	180	360
36,360	36,710	162	324
36,710	37,060	144	288
37,060	37,410	126	252
37,410	37,760	108	216
37,760	38,110	90	180
38,110	38,460	72	144
38,460	38,810	54	108
38,810	39,160	36	72
39,160	39,510	18	36
39,510	and over		not eligible

2016 Schedule M1CD Instructions

You must complete federal Form 2441, even if you did not claim the federal credit, before you complete this schedule.

Am I eligible?

If you (and your spouse if filing a joint return) had earned income, you may be eligible for a credit based on your qualified expenses if you:

- Paid someone to care for your child or other qualifying person, or
- Paid someone for household services, and
- Have documentation showing the expenses you paid.

You qualify for the credit if:

- Your household income is \$39,510 or less (complete lines 1 through 6 of Schedule M1CD to determine household income);
- Your filing status is not Married Filing Separate; **and**
- The qualifying person lived with you for more than one-half of the year.

The Minnesota credit is refundable, which means you may benefit from the credit even if you have no state tax liability. This is different from the federal credit which can be used only to offset tax.

If you are a nonresident or a part-year resident, you may be eligible for this credit. It is prorated by the percentage of earned income taxable to Minnesota.

Is there a penalty for fraudulently claiming a refund?

Yes. If you file a return that fraudulently claims a credit, you will be assessed a penalty equal to 50 percent of the fraudulently claimed credit.

Do I need proof?

Yes. Save canceled checks and/or keep a detailed record of your payments for child and dependent care expenses. We may ask you to show these records if we have questions.

Who is a qualifying person?

A qualifying person is the same as for the federal credit for child and dependent care expenses. Generally, this means a qualifying person is someone who lived with you for more than half of the year and is your:

- dependent child who is younger than 13 or
- disabled spouse or disabled dependent

If you were divorced, legally separated, or lived apart from your spouse during the last six months of 2016 and your child is not your dependent, you may claim the credit if your child meets the requirements of a qualifying person for the federal credit for child and dependent care expenses. In this case, the other parent cannot treat the child as a qualifying person.

What expenses qualify?

Expenses that qualify for the federal credit for child and dependent care expenses qualify for the Minnesota Child and Dependent Care Credit. Generally, this means qualifying expenses are expenses you paid for:

- the care of your qualifying person while you (and your spouse, if filing a joint return) could work or look for work, and
- household services so that you (and your spouse, if filing a joint return) could work or look for work.

You may qualify for a credit even if you did not have expenses:

- If you are married and filing a joint return, and your child was born in 2016, see “What if my child was born in 2016?”
- If you are a licensed day care operator, see “What if I am a licensed day care operator?” on the next page.

What if my child was born in 2016?

You may be eligible to calculate your credit using \$3,000 of expenses for your child born in 2016 even if you did not have actual expenses for that child or only one spouse had earned income.

Complete the worksheet below to determine your credit if you meet all of the following requirements:

- You are married and filing a joint return;
- You had a child (or children) born in 2016;
- You had less than \$3,000 in child care expenses OR you or your spouse earned less than \$3,000; and
- Neither you nor your spouse participated in a pre-tax dependent care assistance program.

If your actual child care expenses for the newborn child and the lesser earning spouse's income was \$3,000 or more (\$6,000 if you have two or more qualifying children), do not complete the worksheet.

Worksheet for Child Born in 2016

If you completed federal Form 2441 to claim the federal credit, you must also complete a separate federal Form 2441 to determine your Minnesota credit. If you did not claim the federal credit or file a federal return, complete a federal Form 2441 to determine your Minnesota credit. Follow the instructions below to complete the Form 2441 you will use for Minnesota purposes.

- 1 Enter the amount from line 4 of Form 2441 1 _____
- 2 Enter the amount from line 5 of Form 2441 2 _____
- 3 Add steps 1 and 2 3 _____
- 4 Determine the amount to enter on line 6 of Form 2441 as follows:
 - a. For the child born in 2016, enter the smaller of:
 - 1)\$3,000 (\$6,000 for two or more children); or
 - 2)the amount from step 3 4a _____
 - b. If you had another child (or children) born before January 1, 2016; enter the smallest of:
 - 1)your actual qualified child care expenses paid for them;
 - 2)amount on step 1; or
 - 3)amount on step 2. 4b _____
 - c. Enter the smaller of:
 - 1)the total of steps 4a and 4b above; or
 - 2)\$6,000 4c _____

Enter the amount from 4c on line 6 of Form 2441. Complete the rest of Form 2441 and Minnesota Schedule M1CD to determine your Minnesota credit. Place an X in the appropriate box above line 1 of Schedule M1CD.

What if I am a licensed daycare operator?

You may be able to claim a child and dependent care credit for the care of your own child if your child had not reached the age of six years at the end of 2016.

If, at the end of 2016:

- the child was 16 months or younger, the credit is based on \$3,000 of qualified expenses (\$6,000 if there are two children age 16 months or younger).
- the child was older than 16 months but younger than age six, the credit is based on the amount the provider would charge for a child of the same age being cared for in the home for the same number of hours (up to the maximum amounts).

To correctly determine your credit, you must complete a separate federal Form 2441 using the above qualified expense amounts instead of any expenses you actually paid. Include the recomputed Form 2441 you used to determine your Minnesota credit when you file Form M1.

Place an X in the appropriate box above line 1 and enter your day care license number in the space provided.

Line Instructions

Round amounts to the nearest whole dollar.

Line 1

Federal Adjusted Gross Income

Enter your federal adjusted gross income from your 2016 federal return. If the amount is less than zero, enter the negative number. Put parentheses around a negative number.

If you did not file a 2016 federal return, obtain a federal return and instructions to determine what your federal adjusted gross income would have been.

Line 5

Additional Nontaxable Income

Enter your total nontaxable income received in 2016 that is not included on lines 1 through 4. Enter the type(s) of income in the space provided on line 5.

Common examples include:

- payments received under the state Medicaid Home & Community-Based Services Waiver (Medicaid Waiver)
- employer paid education or adoption expenses
- workers' compensation benefits

- your contributions to an employee elective deferral plan, such as a 401(k), 403(b), 457 deferred compensation or SIMPLE/SEP plan
- contributions made to a dependent care account (as shown on your W-2 form) and/or medical expense account
- employer provided transit and parking benefits
- veterans' benefits
- nontaxable scholarships, fellowships, grants for education, including those from foreign sources, and tuition waivers or reductions
- nontaxable pension and annuity payments, including disability payments (However, do not include distributions received from a Roth IRA or any pension or annuity that you funded exclusively, for which your contributions could not be taken as a federal tax deduction.)
- lump-sum distribution reported on line 1 of Schedule M1LS
- federally nontaxed interest and mutual fund dividends
- income excluded by a tax treaty
- rent reduction received for being a caretaker
- military or clergy housing allowance
- nontaxable military earned income, such as combat pay
- strike benefits
- the gain on the sale of your home excluded from federal income
- debt forgiveness income not included in federal adjusted gross income

Also include on line 5 the following losses and deductions to the extent they reduced your federal adjusted gross income:

- tuition and fees deduction
- educator expenses deduction
- health savings account, domestic production activities and the Archer MSA deductions
- capital loss carryforward
- net operating loss carryforward/carryback
- current year passive activity losses, including rental losses in excess of current year passive activity income
- prior year passive activity loss carryforward claimed in 2016 for federal purposes

Do not include on line 5:

- Minnesota property tax refunds
- child support payments
- a dependent's income, including Social Security
- any state income tax refunds not included on line 1
- the dollar value of food, clothing, food stamps and medical supplies received from government agencies
- payments from life insurance policies
- payments by someone else for your care by a nurse, nursing home or hospital
- fuel assistance payments
- IRA rollovers
- gifts and inheritances
- nontaxable Holocaust settlement payments

Line 6

Household Income

If your household income on line 6 is more than \$39,510, do not continue. You do not qualify for the Minnesota Child and Dependent Care Credit.

Line 7

Credit Amount

The table for line 7 is on the back of Schedule M1CD. Using the amount on line 6 and the number of qualifying persons (see *Qualifying person* on the front of this sheet), find the amount to enter on line 7.

Questions? Need forms?

Forms and information are available on our website at www.revenue.state.mn.us.

If you have questions:

- Visit our website at www.revenue.state.mn.us
- Send us an email at individual.incometax@state.mn.us
- Call us at 651-296-3781 or 1-800-652-9094