



Claim for Child and Dependent Care Credit

Recordkeeping Suggestions for Child-care Expenses

If you're a taxpayer who has applied for the Child and Dependent Care Credit, it's important that you maintain good records.

The Tax Department may ask you to produce records that prove the amount of child care expenses claimed on your income tax return.

- The department will use that information to confirm that you're entitled to the credit.
- If you don't keep records, or if your records don't prove what you claimed, you won't get your money.

For these reasons, it's important that you keep good records. These suggestions will help you do that.

How to Keep Good Records

As a general rule, you should keep records of your transactions - payments, purchases, etc. - at the time they happen. Don't wait until the Tax Department asks for your records. If you try to describe the details of your business months - or even years - later, your recollection may not be reliable. The Tax Department is less likely to accept records created long after the fact.

Keep receipts and other documents

Be sure to keep documentation that supports the amount of child care expenses you claimed. Examples of supporting documentation include:

- copies of checks or money orders that you used to pay expenses. Be sure to copy the front and back of the cashed check or money order.
- itemized statement issued by a licensed child care provider
- cash receipts received at the time of payment that can be verified by the department

Use a bank account

Having a bank account can help establish your expenses, particularly if you make payments by check. It is easier for the department to verify your payments with copies of cashed checks.

Are you receiving public assistance?

You may only claim the actual amount you paid to the child care provider for the cost of child care. You may not claim expenses that were paid on your behalf by a social service agency.

You would need to provide:

- A copy of the placement notice from the Administration for Children's Services or the Department of Social Services indicating the placement date and your parent fee

Keep records for three years

The Tax Department may ask for your records as long as three years after you file your return.

Audit Process

Getting a letter from the Tax Department asking for more information doesn't mean you've done anything wrong. It only means that the department wants to confirm the amounts reported on your tax return.

The department will review the information you provide and use it to confirm that your tax return is accurate.

- Make sure the information you submit is accurate and supports what you claimed on your return. If your information isn't consistent with what you claimed, you won't get your credit.
- Don't ignore letters from the Tax Department. If you don't respond, you won't get your money.

Here are some examples of claims the department **disallowed**:

- Taxpayer stated that she paid approximately \$150 per week in cash to a babysitter but provided no supporting documentation.
- Taxpayer submitted a sworn statement from her unlicensed child care provider that she provided child care services, but didn't submit any other documentation.
- Taxpayer submitted hand written receipts that weren't issued at the time of payment and couldn't be verified by the department.

Here are examples of claims the department **approved**:

- Taxpayer submitted copies of cashed checks that were written to and cashed by the child care provider.
- Taxpayer submitted an itemized statement issued from a licensed day care provider listing each payment received.
- Taxpayer submitted a copy of the placement notice from the Department of Social Services indicating the parent fee and corresponding copies of cashed checks.

If your claim for a credit is denied:

You can ask for an informal review by sending us information that supports your claim via Web, fax, or mail. If your claim is denied again, you can request further review in two ways:

Conference – an informal meeting with Tax Department's Bureau of Conciliation and Mediation Services (BCMS). You must request a conference within 90 days of the denial.

Petition – a more formal procedure that will require you to file a written petition, which will be reviewed by a hearing officer. To file a petition, you must:

- wait **six months** after the date you submitted your refund claim, or
- if your claim has been denied, file within **two years** from the **Notice of Disallowance** we send you.

To learn more:

- See the instructions on the notice you received from the Tax Department denying your credit
- Visit our website (see below) or the IRS website at **www.irs.gov**
- Call us at (518) 457-5181