

TAX CREDITS FOR CAREGIVERS

(http://www.co.ba.md.us/Agencies/aging/Caregivers/cc_july-aug.html#taxcredit)

You may qualify for a tax break if you provide care for your aging relative. To qualify, you must claim an elderly parent or other relative as a dependent. In order to do so, you must provide more than 50% of your relative's support. Your relative cannot have an income exceeding \$3,050 (excluding tax-free interest, disability compensation and Social Security income) or file a joint return with a spouse. The income limit is waived for those elderly dependents that are not capable of caring for themselves.

Types of Tax Breaks

- **Dependent-Care Credit** is worth up to \$2100. This tax credit is dependent upon your income and can range from 20% to 30% of the first \$3,000 you spend on each of your first two dependents (children up to the age of 13 and elders); or \$6,000 total for two dependents. The money spent must be used to allow the caregiver to work. Therefore, you can qualify for the credit if your dependent is in a day care program.
- **Flexible-Spending Accounts** are much like flexible-spending accounts for health care. You can fund the account with up to \$5,000 pretax annually and use the money to fund elder and childcare. As with any flexible spending account, if you don't use the money in the account, you lose it. In addition, you can't take advantage of both the entire dependent-care credit and the entire dependent care account. The amount you put into the dependent-care flexible spending account reduces the amount of dependent-care credit.
- **Sharing Care Expenses** can allow you to take turns claiming your elder relative as a dependent. If no one family member provides more than 50% of the support for your loved one, but several family members provide that much collectively, each person who provides more than

10% of the support will have to fill out and sign an IRS Form 2120, which is a Multiple Support Declaration. Check with your tax advisor to learn more about these options.