



CHILD CARE EXPENSES DEDUCTION FOR 2000

New for 2000

Under proposed changes, you can deduct expenses of up to \$10,000 for a child who qualifies for the disability amount (line 316).

Definitions

The terms **child care expenses**, **eligible child**, **supporting person**, **net income**, and **earned income**, used on Form T778, *Child Care Expenses Deduction for 2000*, are defined on this page.

Child care expenses

Child care expenses are amounts you or another supporting person paid to have someone look after an eligible child so that you or the other supporting person could:

- earn income from employment;
- carry on a business either alone or as an active partner;
- attend school under the conditions described in the section called "Did you or the other supporting person attend school in 2000?" on the back of this sheet; or
- carry on research or similar work for which you or the other supporting person received a grant.

Usually, you can only deduct payments for services provided in Canada by a Canadian resident. See the section called "Other situations" on the back for exceptions.

Eligible child

Child care expenses can only be claimed for an eligible child. An eligible child is:

- your or your spouse's child; **or**
- a child who was dependent on you or your spouse and whose net income in 2000 was \$7,231 or less.

The child must have lived with you or the other supporting person when you or the other supporting person had the expenses. The child must have been **under 16** years of age at some time in 2000. However, the age limit does not apply if, during 2000, the child was dependent on you or your spouse and is mentally or physically infirm.

Supporting person

Child care expenses can only be claimed by the eligible child's supporting persons. You are a supporting person if you are:

- the child's parent;
- the spouse of the child's parent; **or**
- an individual claiming an amount for the child on line 305, 306, or 315 of your 2000 return.

There is another supporting person if the child's other parent, your spouse, or any individual claiming an amount for the child on line 305, 306, or 315 of his or her return lived with you at any time in 2000 **and** at any time during the first 60 days of 2001.

Net income

Use the amount from line 236 of your return **without including** any child care expenses (line 214) or social benefits repayment (line 235) you may be able to claim. Net income is used to determine which supporting person will claim child care expenses.

Earned income

Your earned income on line 6 in Part B of Form T778 is the total of:

- employment income (including tips and gratuities, and the non-taxable part of an allowance received as an emergency volunteer);
- net self-employment income, either alone or as an active partner (excluding losses);
- the taxable part of scholarships, bursaries, fellowships, and similar awards;
- net research grants;
- any earnings supplement received under a project sponsored by the Government of Canada to encourage employment or sponsored under Part II of the Employment Insurance Act or any similar program; and
- disability benefits received from the Canada Pension Plan or the Quebec Pension Plan.

Who can claim child care expenses?

To know who can claim child care expenses, you need to determine if you are the only supporting person, or if there is another supporting person.

If you are the only supporting person, you can claim child care expenses you paid while the eligible child was living with you.

In most situations where there is another supporting person, you can claim the child care expenses only if you have the **lower net income** (including zero income).

If there is another supporting person and you have the **higher net income**, you can make a claim only if Part C or D of Form T778 applies.

If there is another supporting person and you have **equal net incomes**, you have to agree on which one of you will claim the expenses.

If you got married or began living common law with someone in 2000, you and your spouse have to consider your net incomes for the whole year. Include child care expenses you both paid for the whole year.

Canada Child Tax Benefit

For each eligible child who is **under 7** years of age, there is a supplement of \$219 to the basic benefit. The supplement is reduced by 25% of the child care expenses you and your spouse claim for children who are under 18 years of age.

Child care expenses claimed on your 2000 returns will affect the supplement you may be entitled to receive for the period from July 2001 to June 2002.

You can claim less than the maximum child care expenses allowable if it is to your benefit. If you do not need your full child care expenses to reduce your 2000 federal tax to zero, it may be better to claim only what you need, since this may increase your supplement for the above-mentioned period. Keep in mind, however, that you cannot carry forward unclaimed expenses to another year.

What payments can you claim?

You can claim payments for child care expenses made to:

- individuals providing child care services;
- day nursery schools and day-care centres;
- educational institutions for the part of the fees that relate to child care services;
- day camps and day sports schools where the primary goal of the camp is to care for children (an institution offering a "sports study" program is not a sports school); and
- boarding schools, overnight sports schools, or camps where lodging is involved (see the Note in Part A of Form T778).

You can also claim advertising expenses and placement agency fees.

When the child care services are provided by an individual, the individual cannot be:

- the child's father, mother, or a supporting person;
- a person for whom you or another supporting person of the child claimed an amount on lines 305, 306, or 315 of the 2000 return; **and**
- a person under 18 who is related to you.

A **related person** is someone connected by a blood relationship, marriage, or adoption, such as your or your spouse's child, brother, sister, brother-in-law, or sister-in-law. Nieces, nephews, aunts, or uncles are not related persons.

Receipts – The individual or organization who received the payments must give you a receipt showing information about the services provided. When the child care services are provided by an individual, you will need the social insurance number of the individual. Do not send receipts with your return. If you are using EFILE, show your receipts to your EFILE service provider. In either case, or if you are using TELEFILE or NETFILE, keep them in case we ask to see them.

Note: If you paid an individual to provide child care in your home, you may have some responsibilities as an employer. If you are not sure of your situation, contact us.

What payments can't you claim?

You cannot claim payments for medical or hospital care, clothing, or transportation costs.

For payments made to an educational institution, you cannot claim the part of the fees that relate to education costs, such as tuition fees of a regular program or a "sports study" program. For example, you cannot claim fees paid for Cub Scouts, tennis lessons, and other leisure activities or recreational expenses.

You cannot claim expenses if you or another supporting person received, or are entitled to receive, a reimbursement of the child care expenses or any other form of assistance not included in income. If your employer paid the child care expenses on your behalf, you can claim the part of the expenses included in your income.

Did you or the other supporting person attend school in 2000?

You may be able to claim child care expenses to attend school if any of the following situations apply:

- You are the only supporting person and, at any time in 2000, you attended school under the conditions described below (see Part D of Form T778).
- You are the supporting person with the higher net income, and the other supporting person, at any time in 2000, attended school under the conditions described below (see Part C of Form T778).
- You are the supporting person with the higher net income, and you **and** the other supporting person, at the same time in 2000, attended school under the conditions described below (see Part C and Part D of Form T778).

The **educational program** has to be offered by a secondary school, college, university, or other designated educational institution. This includes any institution certified by the Minister of Human Resources Development for courses that develop or improve occupational skills. An eligible program has to last at least 3 consecutive weeks. A **full-time** program requires students to spend at least 10 hours a week on courses or work in the program. A **part-time** program requires students to spend at least 12 hours in a calendar month on courses in the program.

Other situations

When completing the return of a **supporting person** (of an eligible child) **who died in 2000**, claim eligible child care expenses that were paid while that person was living with the child as if he or she was the only supporting person. However, if there was another supporting person, that person is also considered the only supporting person of the eligible child, and can claim eligible child care expenses paid while living with the child, as long as the expenses were not claimed on the return of another person.

If you lived outside Canada for part or all of 2000, and we consider you to be a **factual** or **deemed resident** of Canada, you can claim child care expenses that you paid to a non-resident person for services provided outside Canada. We explain these terms under "Which tax and benefit package should you use?" on page 7 of the *General Income Tax and Benefit Guide*. For information on other circumstances in which you can claim child care expenses paid for services provided outside Canada (such as commuters to the United States), please contact us.

If you **immigrated** to, or **emigrated** from, Canada in 2000, you can claim child care expenses for the period you were in Canada, as long as you otherwise qualify.

Do you need more information?

Contact your tax services office. The telephone numbers and address are listed in the government section of your telephone book and on the "Contact us" page of our Web site at:

www.cra-adrc.gc.ca

CHILD CARE EXPENSES DEDUCTION FOR 2000

We define **child care expenses**, **eligible child**, **supporting person**, **net income**, and **earned income** on the attached information sheet. For more details, see Interpretation Bulletin IT-495, *Child Care Expenses*.

Each supporting person claiming the deduction must attach a completed Form T778 to his or her return. Do not include receipts, but keep them in case we ask to see them.

If you are the only supporting person, or you are the supporting person with the **lower net income**, complete Parts A and B.

If you are the supporting person with the **higher net income**, complete Parts A, B, and C.

If you **attended school** in 2000, read Part D to see if it applies.

Part A – Total child care expenses

List the **first and last names** and the **date of birth** of all your eligible children whether or not you had child care expenses for all of them.

| | Year | Month | Day |
|-------|------|-------|-----|
| _____ | | | |
| _____ | | | |
| _____ | | | |

| First name of each child for whom payments were made | Child care expenses paid (see note) | Indicate who received the payments. Provide the name of the child care organization or the name and social insurance number of the individual. | Number of weeks for boarding schools or overnight camps |
|--|-------------------------------------|--|---|
| _____ | | _____ | _____ |
| _____ | + | _____ | _____ |
| _____ | + | _____ | _____ |
| _____ | + | _____ | _____ |
| Total | = | | |

Note: The maximum you can claim for expenses that relate to a stay in a boarding school (other than education costs) or an overnight camp (including an overnight sports school) is **\$175 per week** for an eligible child included on line 1 or line 2 in Part B, and **\$100 per week** for an eligible child included on line 3.

Enter any child care expenses included above that were paid in 2000 for a child who was 18 or older **6795** _____

Part B – Basic limit for child care expenses deduction

Number of eligible children:

| | | | | |
|--|-------|--------------|---------------------|---|
| Born in 1994 or later for whom the disability amount cannot be claimed | _____ | x \$7,000 = | _____ | 1 |
| Born in 2000 and earlier for whom the disability amount can be claimed * | _____ | x \$10,000 = | 6796 + _____ | 2 |
| Born in 1984 to 1993 (or born in 1983 and earlier with a mental or physical infirmity for whom the disability amount cannot be claimed) | _____ | x \$4,000 = | + _____ | 3 |
| Add lines 1 to 3 | | | = _____ | 4 |

Enter your **total child care expenses** from Part A _____ 5

Enter your **earned income** _____ x $\frac{2}{3}$ = _____ 6

Enter the amount from line 4, 5, or 6, whichever is **the least** _____ 7

If you are the supporting person with the higher net income, go to Part C. Leave lines 8 and 9 blank.

Enter any child care expenses that the other supporting person with the higher net income deducted on line 214 of his or her 2000 return _____ 8

Line 7 minus line 8. If you attended school in 2000 and you are the only supporting person, go to Part D. Otherwise, enter this amount on line 214 of your return **Your allowable deduction** _____ 9

* Attach Form T2201, *Disability Tax Credit Certificate*. If this form has already been filed for the child, attach a note to your return showing the name and social insurance number of the person who filed it and the tax year for which it was filed.

Part C – Are you the supporting person with the higher net income?

Complete Part C if, in 2000, the other supporting person (with the lower net income) was in a situation described below. Indicate the name, social insurance number, and the net income of the other supporting person **and** check the boxes that apply.

Name of supporting person with the lower net income _____

Social insurance number

Net income

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|

- a) The other supporting person attended school and was enrolled in a **part-time** educational program as defined in the section called "Did you or the other supporting person attend school in 2000?" on the attached information sheet.
- b) The other supporting person attended school and was enrolled in a **full-time** educational program as defined in the section called "Did you or the other supporting person attend school in 2000?" on the attached information sheet.
- c) The other supporting person was incapable of caring for children because of a mental or physical infirmity. That person must have been confined for a period of at least two weeks in 2000 to a bed or wheelchair, or as a patient in a hospital, an asylum, or other similar institution. Attach a statement from the attending physician certifying this information.
- d) The other supporting person was incapable of caring for children in 2000 because of a mental or physical infirmity. This situation is likely to continue for an indefinite period. Attach a statement from the attending physician certifying this information.
- e) The other supporting person was confined to a prison or similar institution for a period of at least two weeks in 2000.
- f) You and your spouse were, due to a breakdown in your relationship, living separate and apart at the end of 2000 and for a period of at least 90 days beginning in 2000, but you reconciled before March 2, 2001.

| | | | | |
|---|-------|-----------|---------------|----|
| Number of eligible children from line 1 and line 2 (in Part B) | _____ | x \$175 = | _____ | 10 |
| Number of eligible children from line 3 (in Part B) | _____ | x \$100 = | + | 11 |
| Add line 10 and line 11 | | | = | 12 |
| Multiply the amount on line 12 by the number of full months in 2000 that the situation in a) existed (other than a month that includes a week that any of the situations in b) to f) existed) | | | | 13 |
| Multiply the amount on line 12 by the number of full weeks in 2000 that any of the situations in b) to f) existed | | | + | 14 |
| Add line 13 and line 14 | | | 6798 = | 15 |

Enter the amount from line 7 (in Part B) or line 15, whichever is **less**.

If you attended school in 2000, go to Part D.

Otherwise, enter this amount on line 214 of your return **Your allowable deduction**

| | | |
|--|--|--|
| | | |
|--|--|--|

Part D – Did you attend school in 2000?

Complete Part D if, at any time in 2000, you attended school and either of the following situations applied to you:

- You were the **only supporting person**, line 7 equals line 6 in Part B, and you were enrolled in an educational program described in the section called "Did you or the other supporting person attend school in 2000?" on the attached information sheet.
- You were the **supporting person with the higher net income**, line 7 equals line 6 in Part B, and you **and** the other supporting person were, at the same time in 2000, enrolled in an educational program described in the same section. But first, complete Part C.

Part D does not apply to the supporting person with the lower net income since the other supporting person will claim this part of the deduction for both of them.

| | | | | |
|---|-------|-----------|---------------|----|
| Number of eligible children from line 1 and line 2 (in Part B) | _____ | x \$175 = | _____ | 17 |
| Number of eligible children from line 3 (in Part B) | _____ | x \$100 = | + | 18 |
| Add line 17 and line 18 | | | = | 19 |
| Multiply the amount on line 19 by the number of full months in 2000 you (or the other supporting person) were in part-time attendance (other than a month that includes a week used in the calculation on line 21) .. | | | | 20 |
| Multiply the amount on line 19 by the number of full weeks in 2000 you (and the other supporting person) were in full-time attendance | | | + | 21 |
| Add line 20 and line 21 | | | 6801 = | 22 |

| | | | | |
|--|-------|-------------------|--|----|
| Line 4 (in Part B) minus line 9 (in Part B) or line 16 (in Part C), whichever applies to you | | | | 23 |
| Line 5 (in Part B) minus line 9 (in Part B) or line 16 (in Part C), whichever applies to you | | | | 24 |
| Enter your net income | _____ | x $\frac{2}{3}$ = | | 25 |
| If you completed Part C: Line 15 (in Part C) minus line 6 (in Part B) | | | | 26 |

| | | | | |
|---|--|--|-----------------------------------|----|
| Enter amount from line 22, 23, 24, 25, or (if it applies) 26, whichever is the least | | | | 27 |
| Enter the amount from line 9 (in Part B) or line 16 (in Part C), whichever applies to you | | | + | 28 |
| Add line 27 and line 28. Enter this amount on line 214 of your return | | | Your allowable deduction = | 29 |