



Child Care Expenses Deduction for 2004

Definitions

The terms **child care expenses**, **eligible child**, **net income**, and **earned income**, used on Form T778, *Child Care Expenses Deduction for 2004*, are defined here.

Child care expenses

Child care expenses are amounts you or another person paid to have someone look after an eligible child so that you or the other 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 "Are you enrolled in an educational program?" on the back; or
- carry on research or similar work for which you or the other person received a grant.

The child must have lived with you or the other person when the expense was incurred for the expense to qualify. 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 or common-law partner's child; **or**
- a child who was dependent on you or your spouse or common-law partner, and whose net income in 2004 was \$8,012 or less.

The child must have been **under 16** years of age at some time in the year. However, the age limit does not apply if the child was dependent on you or your spouse or common-law partner and was mentally or physically infirm.

Net income

Your net income, and that of the other person, is used to determine which person will claim child care expenses. Use the amount from line 236 of your returns **without including** any child care expenses (line 214) or social benefits repayment (line 235) you may be able to claim.

Earned income

Your earned income for line 6 in Part B 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, and 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?

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

However, there may have been **another person** who lived with you at any time in 2004 **and** at any time during the first 60 days of 2005 who was:

- the eligible child's parent;
- your spouse or common-law partner, if you are the father or the mother of the child; **or**
- an individual claiming an amount for the eligible child on line 305, 306, or 315 of their Schedule 1;

If there is another person, the person with the **lower net income** (including zero income) must claim the child care expenses unless one of the situations in Part C or in Part D applies.

If there is another person, and one of the situations in Part C or in Part D applies, the child care expenses can be claimed by the person with the **higher net income**, or in part by both the person with the higher net income and the person with the lower net income. In any such situation, the person with the higher net income must calculate the claim first.

If there is another 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 in 2004, you and your spouse or common-law partner 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 to the basic benefit. The supplement is reduced by 25% of the child care expenses you and your spouse or common-law partner claim for children who are under 18 years old.

Child care expenses claimed on your 2004 returns will affect the supplement you may be entitled to receive for the period from July 2005 to June 2006.

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 2004 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. However, keep in mind 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:

- caregivers 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); or
- boarding schools, overnight sports schools, or camps where lodging is involved (see the note in Part A of Form T778).

Advertising expenses and placement agency fees paid to locate a child care provider may also qualify as child care expenses. For more details, see Interpretation Bulletin IT-495, *Child Care Expenses*.

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

- the child's father or mother;
- another person described under "Who can claim child care expenses?";
- a person for whom you or another person claimed an amount on line 305, 306, or 315 of Schedule 1; **and**
- a person under 18 who is related to you.
A **related person** is someone connected by a blood relationship, marriage or common-law partnership, or adoption, such as your or your spouse or common-law partner's child, brother, sister, brother-in-law, or sister-in-law. However, nieces, nephews, aunts, and uncles are not considered 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, but keep them in case we ask to see them. If you file your return electronically using EFILE, show your receipts to your EFILE service provider.

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. Also, you cannot claim fees paid for leisure or recreational activities, such as tennis lessons or the annual registration fees paid for Scouts.

You cannot claim expenses if you or another person received, or is 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.

Are you enrolled in an educational program?

An **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 and Skills 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 **person who died in 2004**, claim eligible child care expenses that were paid while that person was living with the child as if he or she was the only person supporting the child. However, if there was another person, that person is also considered the only person supporting 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 2004, 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 8 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 (e.g., commuters to the United States), please contact us.

If you **immigrated** to or **emigrated** from Canada in 2004, 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 us at **1-800-959-8281**. Our addresses are listed on the "Contact us" page of our Web site at www.cra.gc.ca and in the government section of your telephone book.

CHILD CARE EXPENSES DEDUCTION FOR 2004

Read the attached information sheet. You will find there the definition of **child care expenses**, **eligible child**, **earned income**, and **net income**. For more details, see Interpretation Bulletin IT-495, *Child Care Expenses*.

Each 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 person** claiming child care expenses, complete Parts A, B, and, if it applies, Part D.

If there is another person and you are the one with the **lower net income**, complete Parts A and B.

If there is another person and you are the one with the **higher net income**, complete Parts A, B, C, and, if it applies, Part D.

Part A – Total child care expenses

List the **first and last names** and the **dates 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 below)	Provide the name of the child care organization or the name and social insurance number of the individual, who received the payments.	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 a child included on line 1 in Part B, **\$250 per week** for a child included on line 2, and **\$100 per week** for a child included on line 3.

Enter any child care expenses included above that were paid in 2004 for a child who was 18 or older **6795** _____

Part B – Basic limit for child care expenses

Number of eligible children:

Born in 1998 or later for whom the disability amount cannot be claimed	_____ × \$7,000 =	_____	1
Born in 2004 and earlier for whom the disability amount can be claimed *	_____ × \$10,000 =	6796 + _____	2
Born in 1988 to 1997 (or born in 1987 and earlier with a mental or physical infirmity for whom the disability amount cannot be claimed)	_____ × \$4,000 =	+ _____	3
Add lines 1 to 3		= _____	4

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

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

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

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

Enter any child care expenses that the other person with the higher net income deducted on line 214 of his or her 2004 return _____ 8

Line 7 minus line 8. If you attended school in 2004 and you are the only person making a claim, 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 person with the higher net income?

Complete Part C if, in 2004, the other person (with the lower net income) was in a situation described below. Give the name, social insurance number, and the net income of the other person, **and** check the boxes that apply.

Name of person with the lower net income _____ Social insurance number _____ Net income _____

- a) The other person attended school and was enrolled in a **part-time** educational program as defined in the section called "Are you enrolled in an educational program?" on the attached information sheet.
- b) The other person attended school and was enrolled in a **full-time** educational program as defined in the section called "Are you enrolled in an educational program?" on the attached information sheet.
- c) The other 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 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 person was incapable of caring for children 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 person was confined to a prison or similar institution for a period of at least two weeks.
- f) You and your spouse or common-law partner were, due to a breakdown in your relationship, living separate and apart at the end of 2004 and for a period of at least 90 days beginning in 2004, but you reconciled before March 1, 2005.

Line 4 (in Part B) _____ $\times 2.5\% =$ 10

Multiply the amount on line 10 by the number of **full months** in 2004 that the situation in **a)** existed (other than a month that includes a week that any of the situations in **b) to f)** existed) 11

Multiply the amount on line 10 by the number of **full weeks** in 2004 that any of the situations in **b) to f)** existed + 12

Add lines 11 and 12 **6798** = 13

Enter the amount from line 7 (in Part B) or line 13, whichever is **less**.

If you attended school in 2004, go to Part D.

Otherwise, enter this amount on line 214 of your return **Your allowable deduction** 14

Part D – Are you enrolled in an educational program in 2004?

Complete Part D if either of the following situations applies to you:

- At any time in 2004, you were the **only person** making a claim, line 7 equals line 6 in Part B, and you were enrolled in a program described in the section called "Are you enrolled in an educational program?" on the attached information sheet.
- For 2004, you were the **person with the higher net income**, line 7 equals line 6 in Part B, and, at the same time in 2004, you **and** the other person were enrolled in a program described in the same section. **But first, complete Part C.**

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

Line 4 (in Part B) _____ $\times 2.5\% =$ 15

Multiply the amount on line 15 by the number of **full months** in 2004 in which you (if there was no other person) **or** you and the other person both were in **part-time** attendance (other than a month that includes a week used in the calculation on line 17) 16

Multiply the amount on line 15 by the number of **full weeks** in 2004 in which you (if there was no other person) **or** you and the other person both were in **full-time** attendance + 17

Add lines 16 and 17 **6801** = 18

Line 4 (in Part B) minus line 9 (in Part B) or line 14 (in Part C), whichever applies to you 19

Line 5 (in Part B) minus line 9 (in Part B) or line 14 (in Part C), whichever applies to you 20

Enter your **net income** (not including amounts on line 214 or 235) $\times \frac{2}{3} =$ 21

If you completed Part C: Line 13 (in Part C) minus line 6 (in Part B) 22

Enter the amount from line 18, 19, 20, 21, or (if it applies) 22, whichever is the **least** 23

Enter the amount from line 9 (in Part B) or line 14 (in Part C), whichever applies to you + 24

Add line 23 and line 24. Enter this amount on line 214 of your return **Your allowable deduction** 25