



Tax Credits

[Dependent Care Tax Credit](#)

[Contribution Tax Credit](#)

[Working Family Tax Credit](#)

[Child Tax Credit](#)

Dependent Care Tax Credit

Oregon is among 20 states in the nation that offer a state tax credit for dependent care assistance provided to employees. Oregon's tax credit permits an employer to offset 50 percent of its child care expenditures against its state tax liability. The credit allows an annual limit of \$2,500 per employee.

The state tax credit for child care applies to these costs:

- Contracting with a third-party child care provider;
- Purchasing employees' child care through payments to a third-party child care provider;
- Providing direct subsidies or vouchers to employees; and
- Contracting for child care resource and referral services.



Dependent Care Tax Credit

In June 2001, as part of the Economic Growth and Tax Relief Reconciliation Act, Congress enacted into law the first federal employer tax credit for child care. Beginning in tax year 2002, the law allows employers a 25% credit for the costs of acquiring, constructing, rehabilitating, or expanding a child care facility, the costs of operating a child care facility, or the costs of contracting with a third-party child care provider. In addition, the law gives employers a 10 percent credit for the costs of providing child care resource and referral services to employees. The total credit has an annual limit of \$150,000 in tax assistance per employer.

The federal and state tax credits may be combined to offer a larger financial incentive to employers. The state tax credit will decrease an employer's state tax liability. However, if an employer lowers its state tax liability by claiming a credit, the federal tax liability will be higher than it would have been if the employer had not claimed the credit. This is because state taxes are deducted from income in the calculation of federal taxable income. Despite this interaction, an employer's combined federal and state tax liability will be lower as a result of claiming a credit than it otherwise would have been.

Read about additional tax incentives, including dependent care assistance plans, in the "Employer Took Kit" found at Worklifeoregon.org

[To Download a .pdf version of the application of use of dependent care tax credits, click here](#)

Contribution Tax Credit

There is a commonly expressed view that America is experiencing market failure in the child care sector. Economists describe market failure as a situation in which a market left on its own fails to allocate resources efficiently and efficiently.

Although child care providers are among the state's lowest-paid workers, parents still struggle to afford the cost of care. Conversely, if parents want high quality care for their children, the cost is often beyond their financial means.



Contribution Tax Credit

In 2003, the state legislature recognized this disparity in the child care system by enacting the [Oregon Child Care Contribution Tax Credit](#). By making a contribution to the program, taxpayers receive an Oregon state tax credit of 75 cents for each dollar contributed.

Proceeds from the credits will be used to create a demonstration project to show how child care can work when adequately funded. By simultaneously addressing quality, affordability and provider compensation, this innovative tax credit program will reveal the true cost of quality child care and help to restore balance in this critical sector of Oregon's economy

To download the Child Care Contribution Tax Credit Application or to learn more [click here](#).

Working Family Tax Credit

[Click here to download a pdf flyer about the Working Family Child Care Credit](#)



Working Family Tax Credit

Child Tax Credit

Claiming the Child Tax Credit

IRS Tax Tip 2006-45

With the Child Tax Credit, you may be able to reduce the federal income tax you owe by up to \$1,000 for each qualifying child under the age of 17.

A qualifying child for this credit is someone who meets the following criteria:

- **Dependent** Is claimed as your dependent
- **Age** Was under age 17 at the end of 2005
- **Relationship** Is your son, daughter, adopted child, grandchild, stepchild or eligible foster child, your sibling, stepsibling or their descendant
- **Citizenship** Is a U.S. citizen or resident alien

The credit is limited if your modified adjusted gross income is above a certain amount. The amount at which this phase-out begins varies depending on your filing status:

- **Married Filing Jointly** \$110,000
- **Married Filing Separately** \$ 55,000
- **All others** \$ 75,000

In addition, the Child Tax Credit is generally limited by the amount of the income tax you owe as well as any alternative minimum tax you owe

If the amount of your Child Tax Credit is greater than the amount of income tax you owe, you may be able to claim some or all of the difference as an "additional" Child Tax Credit. The additional Child Tax Credit may give you a refund even if you do not owe any tax. For 2005, the total amount of the Child Tax Credit and any additional Child Tax Credit cannot exceed the maximum of \$1,000 for each qualifying child.

You may claim the Child Tax Credit on Form 1040 or 1040A. Details on how to compute the credit can be found in the forms' instructions and in Publication 972, Child Tax Credit. The forms and publications are available from the IRS Web site at IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

Links:

- Form 8812, Additional Child Tax Credit ([PDF 56K](#))
- Publication 972, Child Tax Credit ([PDF 128K](#))
- Form 1040 ([PDF 176K](#))
- Form 1040 Instructions ([PDF 1,101K](#))
- Form 1040A, U.S. Individual Income Tax Return([PDF 136K](#))
- Form 1040A Instructions([PDF 428K](#))
- [Tax Topic 606](#)