


## Review Questions and Final Exam

Course name:	<b>Child and Dependent Care Expenses-Tax Year 2009</b>
Course number:	100209
Number of questions:	Review 30 Final exam 30
Prerequisite:	None
Advance preparation:	None
Course level:	Basic
Recommended CPE credit:	3 hours
Recommended study time:	3 hours
Course format:	Interactive self study CPE credit calculated as 100% of total study time (i.e. 50 minute hour)
Reference text:	<a href="#">IRS 2009 Publication 503 Child and Dependent Care Expenses (free download)</a> 23 pages
	
Subject classification:	Taxation
Course last updated:	February 3, 2010
Learning objective:	Discuss the tests you must meet to claim the credit for child and dependent care expenses. Also learn the employment tax rules for household employers.
Instructions:	This copy of the exam can be used to answer questions while <b>offline</b> .  Please note that you will still need to <b>enter your answers online</b> by logging into the course system with your User ID and Password.

1) Your spouse can potentially be a qualifying person for purposes of the qualifying person test.

- True
- False

2) Ms. Smith quit work at the end of last year so she could spend more time with her young children. From time to time, however, her children drive her crazy and she pays a neighbor to watch her children for a few hours on a weekday morning while she does the grocery shopping. Her husband has a full-time job.

This payment to her neighbor qualifies as a dependent care expense for purposes of calculating the credit for child and dependent care expenses.

- True
- False

3) Ms. Smith decides to go back to work and hires her 16 year old son, John, to baby-sit the younger children. The payments to John qualify as a child care expense.

- True
- False

4) Mr. Henderson, a widower, is the father of twins (age 9), who attend the local public elementary school. Mr. Henderson works full-time, so he pays for them to attend an after-school program for three hours every school day.

Because the children are over 5 years old, they do not meet the “qualifying person test” for child care expenses related to their after-school care.

- True
- False

5) Ms. Jenson has a mentally handicapped daughter (age 25) who is unable to dress or feed herself. Ms. Jenson hires a caregiver to come to their house for 8 hours a day to take care of her daughter and claims an exemption for her daughter on her tax return. This daughter is considered a “qualifying person.”

- True
- False

6) George and Mary got divorced 2 years ago and Mary got custody of Patrick, now age 4. George provided more than half the child’s support for the year.

Mary may be able to treat Patrick as a qualifying person.

- True

False

7) In 2008, Sam and Linda separated and Linda moved out on April 1, 2008.

Linda is technically considered separated for 2008 for purposes of determining if their child is a qualifying person as a child of divorced or separated parents.

True

False

8) Mr. and Mrs. Simpson send their 9-year old son Bart to a military boarding school, where he spends 11 months of each year. Mr. and Mrs. Simpson both work full time.

Part of the cost of the boarding school can be counted as a work-related expense in figuring their child care credit, assuming that cost can be separated from the cost of education.

True

False

9) You send your 8-year old daughter Amy to a day camp during the summer months called "Ballet Camp for Future Ballerinas." You and your spouse both work full time.

The expenses for this camp do NOT meet the work-related expense test.

True

False

10) Henry and Julie are married and both work part-time as tour guides in New York. Surprisingly, they both receive substantial tips from this work.

This tip income should be included in determining if they meet the earned income test in relation to claiming the dependent care credit.

True

False

11) Fred and Sarah are married and have one child. Their only income is dividend and interest income. They do not have "earned income."

True

False

12) Lewis and Rose are a married couple with two children. Lewis is taking correspondence courses during the day to complete a degree in airplane engine repair. He spent 8 or more hours per day on his studies, for 8 months of the year.

Lewis is classified as a full-time student for purposes of determining earned income.

True

False

13) Maryanne hires a babysitter to take care of the children while she gets a manicure. She believes it is important to have good grooming when she goes to her job interview the next day. The cost of the babysitter in this instance is considered work related, because it is related to preparing for an interview.

True

False

14) You send your daughter to a fantastic preschool called Crème de la Crème in Houston. This preschool charges \$1,000 per month, while most preschools in the area only charge \$250 per month for the same hours of care. You must use the \$250/month figure in calculating your expenses because that is the “prevailing rate” in the area.

True

False

15) You send your child to boarding school in New York and you and your spouse both work. You should use the full cost of the boarding school in calculating your expenses related to your child care credit.

True

False

16) Your neighbor runs an in-home child care center and takes care of your 2-year old child every day during the work week. She is not licensed as a home care or home day care center although she cares for 8 children in her home.

You cannot count the cost of care provided by your neighbor in calculating your work related expense total.

True

False

17) You have a babysitter come to your house daily to care for your one-year old. You give her bus tokens to use to get to and from your home. The cost of these bus tokens is NOT counted as a work-related expense for you.

True

False

18) You have a large estate and employ a housekeeper, cook and gardener. Your household staff keeps an eye on your 4-year old while you are working. The expenses for your entire staff meet the work-related expense test.

True

False

19) Your spouse died last year in March and you did not remarry. You must file a joint return to take the child care credit for last year.

True

False

20) The Johnson's prepaid the tuition to little Ned's preschool in December 2009, for the following year (2010). They CANNOT count the prepaid expenses as work-related expenses in 2009.

True

False

21) You incur some medical expenses for your dependent, who is unable to care for herself. You may be able to claim these expenses BOTH as a work-related expense and as a medical expense deduction.

True

False

22) You work for a large corporation located in the downtown area. The company provides a drop-in child care facility for the convenience of employees to use when their nanny doesn't show up for work. You use the facility for 5 days of the year.

The fair market value of this child care is considered a dependent care benefit.

True

False

23) Bob and Liz are married and have a 3-year old daughter. They paid \$4,500 for full-time childcare. Bob worked full time, but had no earnings this year as his business operated at a loss. Liz had \$14,000 in earnings.

They can use the \$3,000 dollar limit for work-related expenses to calculate their child-care credit.

True

False

24) Your spouse is a full time student during the 9 months of the school year. She works part time during the summer months, earning \$600/month. You have two pre-school age children who attend nursery school for 9 months per year.

Because both parents are not working full-time or looking for work, you cannot claim any child care expenses.

True

False

25) You care for an elderly relative for 9 months of the year and spend \$2,500 on work-related expenses for his care.

You must pro-rate your expenses to figure the credit ( $9/12$  times 2,500); your dollar limit will be \$1,875.

True

False

26) The dollar limit on the amount of your work-related expenses you can use to figure the credit is not affected by any dependent care reimbursements you receive from your employer.

True

False

27) If your adjusted gross income is over \$43,000, you are not eligible for a dependent care credit.

True

False

28) In January of this year, you paid for some work-related dependent care expenses for last year.

You may be able to count the expenses paid this year, for last year's expenses, when calculating your current year dependent care credit.

True

False

29) Lillian goes to a low-cost tax preparation franchise to get her return prepared. They recommend a 1040EZ. If she uses a 1040EZ, she will NOT be able to claim a dependent care credit.

True

False

30) One of your neighbors cares for your 3-year old boy two days per week in her home. You always pay for her services in cash. Most likely, you are not considered a household employer of your neighbor.

True

False

Exam Name: Child and Dependent Care Expenses—Tax  
Year 2009--Final Exam

Course ID: 100209

1) You CANNOT claim the credit for child and dependent care expenses if you file Form \_\_\_\_\_ .

a) 1040

b) 1040-A

c) 1040-NR

d) 1040-EZ

2) You may claim the credit for child care even if you are not working and not looking for work.

True

False

3) Your payments for child and dependent care must be made to someone you (or your spouse) cannot claim as a dependent, in order for these payment to count as "work-related payments."

True

False

4) To meet the "Qualifying Person Test" for the child care credit, your dependent child must be under age 10 when the care was provided.

True

False

- 5) The term "physically or mentally not able to care for himself or herself" includes persons who must have constant attention to prevent them from injuring themselves or others.  
True  
False
- 6) A child of divorced or separated parents may be a "qualifying person" even if you cannot claim that child as a dependent on your return.  
True  
False
- 7) For purposes of determining whether your child is a qualifying person, you are considered separated if you lived apart from your spouse for all of the last month of the year.  
True  
False
- 8) Your home can be the "main home" for the qualifying person even if the qualifying person does not live there all year because of his or her sickness.  
True  
False
- 9) Your son went to a two week overnight YMCA camp during the summer. Assuming you and your spouse work full time, the cost of this camp is considered a work-related expense.  
True  
False
- 10) To claim the credit, you (and your spouse if you are married) must have earned income during the year.  
True  
False
- 11) Earned income includes unemployment compensation.  
True  
False
- 12) Your spouse is treated as having earned income for any month that he or she is a full-time student at a high school, college, university or technical, trade or mechanical school.  
True  
False
- 13) Work related expenses must allow you to work or look for work, and can include the cost of a baby sitter while you and your spouse go out to eat in the evening, after work.  
True  
False
- 14) Expenses are for the care of a qualifying person only if their main purpose is the person's well-being and protection, and do not have to be the least expensive way of providing the care.  
True  
False

15) The cost of lunch served to your 3-year old child in nursery school must be excluded from total expenses for care.

True

False

16) You can count care provided outside your home by a dependent care center only if the center complies with all state and local regulations that apply to these centers.

True

False

17) You give your in-home babysitter \$5 cash to take a taxi home whenever it is raining. This \$5 is considered part of the cost of care of a qualifying person.

True

False

18) "Household services" can include the services of a chauffeur.

True

False

19) Generally, married couples must file a joint return to take the credit unless they are legally separated or living apart.

True

False

20) If you prepay this year for work-related expenses actually incurred the following year, you can claim the expenses this year, i.e. the year in which the payment was actually made.

True

False

21) Medical expenses are never considered a work-related expense.

True

False

22) If your employer provides free child care onsite for their convenience, this is not considered a "dependent care benefit."

True

False

23) Earned Income Limit: This year, your spouse has earned income of \$2,000 and you have earned income of \$8,000, and you are (still) married at the end of the year.

The amount of work-related expenses you use to figure your credit cannot be more than \$2,000.

True

False

24) You have a spouse who is a full-time student. When calculating your family's earned income limit, you attribute \$500 in earnings per month to your student-spouse if there are two or more qualifying dependents in your home.

True  
False

25) The dollar limit on the amount of your work-related expenses you can use to figure your credit is prorated based on how long, during the year, you had a qualifying person under your care.

True  
False

26) The “reduced dollar limit” may apply if you received dependent care benefits from your employer.

True  
False

27) If your adjusted gross income is less than \$15,000, you are eligible for a dependent care credit of 100% of your work-related expenses (after applying the earned income and dollar limits).

True  
False

28) At the end of the current tax year, you prepaid some child care expenses for next year. You may be able to take credit for these prepaid expenses on the current year’s return.

True  
False

29) If you are filing Form 1040EZ, you can attach Form 2441 to your return to show how you calculated the credit.

True  
False

30) You hire a nanny through the Mary Poppins Nanny Agency to care for your five children. After you hire the nanny, the agency has no further contact with her. You most likely are considered a household employer and may have to pay employment taxes.

True  
False