

[2] Child and Dependent Care Tax Credit: Significant improvements were also made to the child and dependent care credit for 2021. But, again, the changes only applied for one year.

By way of comparison, the 2021 credit was worth 20% to 50% of up to \$8,000 in eligible expenses for one qualifying child/dependent or \$16,000 for two or more. The percentage decreased as income exceeded \$125,000. When you combine the top percentage and the expense limits, the maximum credit for 2021 was \$4,000 if you had one qualifying child/dependent (50% of \$8,000) or \$8,000 if you had more than one (50% of \$16,000). The credit was also fully refundable in 2021.

For 2022, the child and dependent care credit is non-refundable. The maximum credit percentage also drops from 50% to 35%. Fewer care expenses are eligible for the credit, too. For 2022, the credit is only allowed for up to \$3,000 in expenses for one child/dependent and \$6,000 for more than one. When the 35% maximum credit percentage is applied, that puts the top credit for the 2022 tax year at \$1,050 (35% of \$3,000) if you have just one child/dependent in your family and \$2,100 (35% of \$6,000) if you have more. In addition, the full child and dependent care credit will only be allowed for families making less than \$15,000 a year in 2022 (instead of \$125,000 per year). After that, the credit starts to phase-out.