

Changes to the PA Dependent Care Credit

Pennsylvania originally passed legislation in July 2022 that provided for a Child and Dependent Care tax credit.

The credit provided was 30% of the Federal Child and Dependent Care Credit, i.e. maximum credit of \$630 for families with two or more children/dependents.

Additionally, any Child and Dependent Care credit provided by an employer was taxable income for Pennsylvania purposes.

However, in December 2023 the PA Legislature passed the Pennsylvania Child and Dependent Enhancement Tax Credit. This expansion expanded two things for Pennsylvania taxpayers:

1. The child and dependent care tax credit in Pennsylvania now **MATCHES** the federal limits and therefore raises the maximum Pennsylvania credit to \$1050 (one child/dependent) and \$2100 for families with two or more eligible children/dependents.
2. Additionally, the legislation eliminates the Pennsylvania taxability of Child and Dependent Care Benefits provided by an employer.

The credit remains fully refundable and is claimed on PA Schedule DC

This expansion is retroactive to January 1, 2023. Tax returns already filed using the old guidelines should be amended to reflect the enhanced credit.

NOTE: A corrected W2 that does NOT include the Dependent Care Benefits amount in State wages will be needed to amend the return