THE FOOD STAMP DEPENDENT CARE DEDUCTION:

Help for Families with Child Care Costs

Center on Budget and Policy Priorities

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March 2010

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ACKNOWLEDGEMENTS

This paper was a collaborative effort between Amrit Mehra, our 2007 Congressional Hunger Fellow, Colleen Pawling, and Tina Fritz Namian. Tina Fritz Namian is a Program Analyst with the Food and Nutrition Service (FNS), USDA, on a special assignment with the Center on Budget and Policy Priorities. The views expressed are those of the authors and not necessarily those of FNS or USDA. The authors wish to express gratitude to John Springer for his invaluable editorial assistance. In addition, Pat Baker from Massachusetts Law Reform Institute provided critical analytic and technical feedback.

The Center on Budget and Policy Priorities is grateful to Atlantic Philanthropies, Evangelical Lutheran Church of America, The Ford Foundation, George Gund Foundation, William and Flora Hewlett Foundation, Joyce Foundation, John D. and Catherine T. MacArthur Foundation, MAZON: A Jewish Response to Hunger, Moriah Fund, Charles Stewart Mott Foundation, Open Society Institute, Rockefeller Foundation, and Stoneman Family Foundation for their support of the Center's work on food assistance programs for low-income families.

I. INTRODUCTION

The Food Stamp Program targets benefits according to need. It does this by limiting eligibility to low-income households and by assessing the ability of individual households to purchase food. Households can deduct certain critical expenses from their income. This results in higher benefits, reflecting the fact that these households have less money available to purchase food. One of these deductions is for out-of-pocket dependent care expenses.

For many years, the dependent care deduction was capped at $175 per month per dependent ($200 per infant), well below the out-of-pocket costs that many low-income families must pay for care. The 2008 Farm Bill, however, made numerous improvements to the Food Stamp Program (now referred to as the Supplemental Nutrition Assistance Program [SNAP]), including eliminating the cap on the dependent care deduction.

The law, which went into effect October 1, 2008, allows households to deduct the full amount of eligible dependent care costs incurred.[1] This, in turn, enables households whose dependent care expenses exceed the former caps to receive larger food stamp benefits.

Prior to passage of the Farm Bill, data suggested that, in many states, many low-income working families eligible for the deduction either did not claim it or did not claim the full amount for which they were eligible. With the elimination of the cap, however, the increase in benefits gained by claiming the deduction may be substantial, making it even more important that all eligible households report their dependent care expenses.

With this in mind, states may want to evaluate policies relating to the deduction and consider whether they reflect the flexibility permitted under federal law and enable eligible households to take the full deduction. The elimination of the cap also provides an opportunity to reach out to the child care community and educate child care agencies and providers about the deduction so that they, in turn, can educate the families they serve. Many low-income families paying for dependent care may not realize that they are eligible for food stamps or that claiming their dependent care costs could significantly increase the monthly food stamp benefits for which they are eligible.

KEY FINDINGS

- There is no longer a cap on the amount of dependent care expenses that food stamp participants may claim for the dependent care deduction.
- It appears that many households eligible for the deduction are not claiming it. In addition, those that do claim it could likely qualify for larger deductions. As a result, those households are missing out on benefits.
- Those who are employed, seeking employment, or attending education or training programs may receive the deduction.
- The deduction is available for a wide range of dependent care arrangements.
- Deductible child care expenses are not limited to those related to the care of young children. The costs of any adult-supervised activity provided to dependents of any age, before and after school or when school is not in session, are allowable.
- Any actual costs of dependent care are allowable, including: the cost of care, transportation to and from care, co-payments for subsidized care, unreimbursed payments for care, and fees for unused care.

[1] The 2008 Farm Bill (The Food, Conservation, and Energy Act of 2008, P.L. 110-246) was enacted on June 18, 2008.

This paper provides information on the dependent care deduction and how states can structure their policies and procedures to ensure that eligible households access available benefits, use the deduction to maximize their benefits, and better manage the high costs of dependent care. It includes technical information on the federal regulations relating to the deduction as well as examples of state policies.

The paper addresses the following questions:

1. Who may claim the dependent care deduction?
2. What expenses may they claim?
3. How can states make the deduction easier for food stamp participants to claim and state agencies to administer?
4. What outreach opportunities does the deduction present?

II. BACKGROUND

For low-income working families with dependent children or adults at home, high-quality, affordable dependent care is a critical support for maintaining employment.[2] Although some low-income families receive assistance in paying for dependent care through child and adult care subsidy programs, have children who attend Head Start, or have satisfactory informal dependent care arrangements with family or friends, many others do not have these options or face substantial out-of-pocket costs, even with assistance.

High Cost of Child Care

According to the U.S. Census Bureau, poor families with employed mothers spend more than four times the percentage of their income on child care as other working parents. For poor working mothers who pay for child care, these costs took up an astounding *32 percent* of their monthly cash income in 2006, compared to just 7 percent for all working mothers.[3] The cost of care for one child averaged between $4,055 and $15,895 per year in 2008, depending on where a family lived, the age of the child, and the type of child care. For low-income families, this is a costly expense.[4]

The high cost of dependent care can place great stress on family budgets. In a review of the literature on child care subsidies, the Center on Law and Social Policy concluded that "when families are not able to access child care assistance, they may go into debt; return to welfare; choose lower quality, less stable child care; or make untenable choices in their household budgets."[5]

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[2] See Hannah Matthews, *Child Care Assistance Helps Families Work: A Review of the Effects of Subsidy Receipt on Employment,* Center for Law and Social Policy, April 2006, http://clasp.org/publications/ccassistance_employentpdf.

[3] See Julia Overturf Johnson, *Who's Minding the Kids? Child Care Arrangements: Summer 2006*, Detailed Tables, Table 6, U.S. Census Bureau, http://www.census.gov/population/www/socdemo/child/tables-2006.html.

[4] See National Association of Child Care Resource and Referral Agencies, *Parents and the High Price of Child Care: 2009 Update,* http://www.naccrra.org/docs/publications/supporting-docs/parents-and-the-high-price-of-child-care-2009-update/executive-summary.pdf.

[5] See Hannah Matthews, *Child Care Assistance Helps Families Work: A Review of the Effects of Subsidy Receipt on Employment,* Center for Law and Social Policy, April 2006, http://clasp.org/publications/ccassistance_employentpdf.

One of these choices may be to sacrifice their food security in order to pay their child care costs.

While child care subsidies help defray costs for some low-income families, only a small proportion of eligible families receive them. A recent study found that only 20 percent of low-income families using non-parental child care and living at or below the poverty level were receiving a child care subsidy.[6] In 2008, 17 states had significant waiting lists for child care subsidies, and even this figure does not fully describe the need because many states do not maintain waiting lists.[7] In recognition of the fact that many low-income families face high child care costs, the Food Stamp Program considers these costs when calculating benefits. Maximizing the dependent care deduction can help to defray some of the out-of-pocket child care expenses that may limit participants' ability to provide nutritious food for their families.

ADULT DEPENDENT CARE

While much of this paper focuses on the impact of the dependent care deduction on families with child care expenses, households may deduct expenses related to the care of adult dependents as well. Thus, the deduction can help working families with disabled, ill, or elderly household members requiring care.

Adult care services provide companionship and supervision to adults who are unable to care for themselves. Such services can be costly: in 2009, an in-home homemaker/companion cost $19 per hour on average, while center-based adult day care services cost $67 per day.[a] However, these types of services allow aging and chronically ill adults to remain at home and avoid more expensive nursing home care, while allowing their caregivers to continue employment.

While the federal Medicare program pays for many of the medical expenses for the elderly, it does not cover homemaker and adult day care services. In some states, Medicaid, other federal and state public programs, and private insurance may pay a portion of adult day care services. It is likely that many families with adult dependent care needs, however, will face significant out-of-pocket costs.[b]

People ages 65 and older represented 12.6 percent of the population in 2007 and are expected to represent 19.3 percent of the population by 2030.[c] With a growing elderly population, adult dependent care expenses will be borne by more families, many of them low-income. It is important that food stamp agencies ensure that eligible low-income families with adult dependents get the full benefit of food stamps, including the dependent care deduction. A recent USDA survey of food stamp data, however, found that fewer than 10 percent of households reported adult dependent care expenses.[d]

With this in mind, state agencies may want to conduct targeted outreach to families that may have adult dependents and encourage them to apply for food stamp benefits. Additionally, families that do not qualify for the dependent care deduction may be able to benefit from the medical expense deduction.[e]

[a] See MetLife Mature Market Institute, *Market Survey of Long-Term Care Costs: The 2009 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs*, October 2009, http://www.metlife.com/assets/cao/mmi/publications/studies/mmi-market-survey-nursing-home-assisted-living.pdf.

[b] See U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, *Paying for Long-Term Care,* http://www.longtermcare.gov/LTC/Main_Site/Paying_LTC/Costs_Of_Care/Costs_Of_Care.aspx.

[c] See U.S. Department of Health and Human Services, Administration on Aging, *A Profile of Older Americans: 2009,* http://www.aoa.gov/AoARoot/Aging_Statistics/Profile/2009/4.aspx.

[d] See U.S. Department of Agriculture, Food and Nutrition Service Memorandum, *Supplemental Nutrition Assistance Program (SNAP): Applications' Statements about Unreported and Unverified Expenses,* November 18, 2009, http://www.fns.usda.gov/fsp/rules/Memo/2010/111809.pdf.

[e] See 7 C.F.R. §273.9(d)(3).

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[6] See Nancy Burstein and Jean I. Layzer, *National Study of Child Care of Low-Income Families: Patterns of Child Care Use Among Low-Income Families,* Abt Associates, Inc. for the U.S. Department of Health and Human Services, September 2007.

[7] See National Association of Child Care Resource and Referral Agencies, *Child Care Subsidy Waiting Lists by State,* http://www.naccrra.org/policy/background_issues/ccdbg/subsidy-waiting-lists.

What Is the Dependent Care Deduction?

Food stamp benefits are calculated based on a formula that assumes that families will spend 30 percent of their net income for food.[8] In order to determine net income, households may deduct certain expenses from their income. These deductions are intended to recognize that households have expenses that limit the amount of funds they have available to pay for food.

To help buffer the impact that out-of-pocket child care expenses can have on family food budgets, Congress in 1980 created a separate deduction in the Food Stamp Program for dependent care expenses.[9] According to federal regulations, dependent care expenses are:

> Payments for the actual costs for the care of children or other dependents when necessary for a household member to accept or continue employment, comply with the employment and training requirements as specified under §273.7(e), or attend training or pursue education which is preparatory to employment.[10]

That is, dependent care expenses may be deducted from income when calculating food stamp benefits if they are necessary to enable the participant to work, look for work, or participate in an approved education or training programs.

Dependents need not be related to the household member claiming the deduction. All children *under 18 years of age* who live with and are financially or otherwise dependent on a member of the household are considered part of the household and may be the subject of the dependent care deduction. This differs from the Supplemental Nutrition Assistance Program Employment and Training (SNAP E&T) program and many state child care subsidy programs, which limit the costs to those associated with the care of children ages 12 and under. Similarly, household members caring for elderly or disabled adults who are financially dependent upon the household member and are not considered to be a separate household may be eligible for the dependent care deduction.[11]

Lifting the Cap on Expenses

Prior to 2008, the maximum dependent care deduction was $175 per month per dependent ($200 for infants). Effective October 1, 2008, the cap was eliminated, making a household's entire dependent care cost eligible for the deduction. Speaking in support of the change, Senator Tom Harkin, then Chairman of the Senate Committee on Agriculture, Nutrition and Forestry, acknowledged that the cap did not reflect the true cost of child care to low-income families. He made the following statement to the Senate:

> The current cap on the dependent care deduction has not been raised in 15 years, but child care costs have continued to grow. Even when a low-income working family gets help paying for child care, the family's share, or copayment, can be substantial. Now, because of

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[8] See Center on Budget and Policy Priorities, *Policy Basics: Introduction to the Food Stamp Program,* http://www.cbpp.org/cms/index.cfm?fa=view&id=2226.

[9] See Amendments to the Food Stamp Act, P.L. 96-249, 94 Stat. 357-370.

[10] See 7 C.F.R. § 273.9(d)(4). The current regulation still contains language referring to the cap, which the 2008 Farm Bill eliminated. This language is obsolete.

[11] See 7 C.F.R. § 273.1(b).

> changes in this bill [the 2008 Farm Bill], the amount of food assistance that a family receives will reflect the actual child care costs families pay to be able to hold down their jobs. By lifting the cap, families eligible for the deduction will be able to deduct the full value of their childcare costs, rather than just a portion of the costs.[12]

Deduction Is Underutilized

It appears that many households eligible for the dependent care deduction do not take advantage of it. Of the over 6.3 million food stamp households with children, only 8.2 percent claimed the dependent care deduction, according to an analysis of the fiscal year 2008 food stamp quality control data. Given limited funding for child care subsidies, many more of these families likely have out of pocket child care expenses.

While any household with out-of-pocket dependent care expenses is eligible for the deduction, the group most likely to claim it is single-parent households with young children (under age 5) where the parent is employed. These households are most in need of some form of child care because their children are not yet school age. However, only 37 percent of the roughly 750,000 food stamp households with children under age 5 and working single parents claimed the deduction.

As shown in Appendix I, the percentage of working single parent households with young children claiming the deduction varied significantly among states, ranging from 6 percent in the District of Columbia and Hawaii to 58 percent in North Dakota. (Because the sample sizes in some states were very small, the state-specific figures should be viewed as illustrative; analysis of individual state administrative data would likely result in a more reliable assessment of the share of eligible households claiming the deduction.)

Additionally, a recent USDA analysis of food stamp quality control data found that fewer than 10 percent of households reported child and adult dependent care expenses.[13] Together, these data suggest that many households eligible for the deduction in 2008 did not claim it.

As mentioned above, some low-income working households are able to secure child care through subsidized child care programs, Head Start, or friends or family members who provide free care. Only 20 percent of low-income families using non-parental child care and living at or below the federal poverty level receive child care subsidies, however, leaving a significant number of families that are not receiving a child care subsidy or a dependent care deduction.[14] Although these alternative methods of financing child care would explain why not all food stamp households with young children claim the deduction, it is unlikely that they fully explain the small share of households claiming the deduction.

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[12] See 154 Cong. Rec. S. 4750 (daily ed. May 22, 2008).

[13] See U.S. Department of Agriculture, Food and Nutrition Service Memorandum, *Supplemental Nutrition Assistance Program (SNAP): Applications' Statements about Unreported and Unverified Expenses,* November 18, 2009, http://www.fns.usda.gov/fsp/rules/Memo/2010/111809.pdf.

[14] See Nancy Burstein and Jean I. Layzer, *National Study of Child Care of Low-Income Families: Patterns of Child Care Use Among Low-Income Families,* Abt Associates, Inc. for the U.S. Department of Health and Human Services, September 2007.

Eligibility restrictions also fail to explain the underutilization of the deduction, since virtually all food stamp households with a dependent in a care arrangement are potentially eligible for the deduction. According to the regulations, households are eligible if they contain an individual who is employed, looking for work, or attending school or training. Federal regulations place no additional restrictions on the deduction, such as limiting it to households with no nonworking adults. Nor do households necessarily lose the deduction if a household member loses his or her job, because individuals seeking employment also qualify. And, although some households may receive a child care subsidy, they still may have allowable expenses, such as co-payments or transportation costs.

Table 1:
IMPACT OF THE DEPENDENT CARE DEDUCTION ON MONTHLY FOOD STAMP BENEFITS
(Based on a typical household of three with earnings of $1,260 per month and shelter expenses in fiscal year 2010

Amount of the Dependent Care Deduction	Monthly Food Stamp Benefits
$0	$373
$175	$452
$200	$463
$250	$486
$300	$508

It is possible, in the past, that the low cap deterred households from claiming the deduction. Some families may have decided that the increase in benefits from the deduction was not worth the effort necessary to make the claim. With the recent elimination of the cap, however, the benefit to participants may be much greater than in the past and may improve utilization. Table 1 shows how a larger deduction could affect food stamp benefits for a family of three with typical earnings ($1,260 a month) and shelter expenses.

Before enactment of the Farm Bill, the Congressional Budget Office estimated that eliminating the cap would provide an average of almost $500 a year (more than $40 a month) to approximately 100,000 households whose child care costs exceeded the previous cap. If all food stamp households who are eligible for the deduction claimed it, the number of households that benefit would be substantially greater.[15]

The benefit of lifting the cap can be especially significant for some working families. For example, a single mother of two who works 35 hours a week at $9 per hour and pays $300 a month for child care (the approximate average out-of-pocket cost for a poor, employed mother with a pre-school-aged child[16]) will receive an additional $135 in food stamps each month ($508 rather than $373), or about $1,600 a year by claiming the deduction. (If the $175 cap had remained in place, the additional benefit would have been only $79 per month [$452 rather than $508]). This $135 in additional food stamp benefits offsets nearly half of her $300 in monthly child care expenses.

Given the significant impact on food stamp benefits, it is essential that Food Stamp Program participants have the information they need to claim the deduction. To this end, states may wish to review their policies and procedures to ensure that all eligible households receive the deduction.

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[15] This estimate was before the American Recovery and Reinvestment Act of 2009 added an average of $20 per person to food stamp benefits.

[16] See Julia Overturf Johnson, *Who's Minding the Kids? Child Care Arrangements: Summer 2006,* Detailed Tables, Table 6, U.S. Census Bureau, http://www.census.gov/population/www/socdemo/child/tables-2006.html.

Categorical Eligibility

Food stamp rules permit states to raise the gross income limit from the traditional limit of 130 percent of the federal poverty line to as high as 200 percent of the poverty line.[17] About twenty states have taken advantage of this option.[18] Low-income working households with children who have incomes just above 130 percent of the federal poverty line are in the best position to benefit from this option because they can use the dependent care deduction to reduce their net income – often resulting in significant benefits for the households. States may wish to consider raising their gross income tests to expand the reach of food stamps to more low-income working households.

III. WHO IS ELIGIBLE FOR THE DEDUCTION?

The dependent care deduction is a flexible mechanism, available to many food stamp participants with dependents, that can increase the amount of food stamp benefits they receive. It has few restrictions. Generally, in order for a dependent care expense to qualify as an allowable deduction, the expense must be necessary for a household member to:

- accept or continue employment;
- seek employment; or
- attend school or training.[19]

The dependent care deduction does not have many of the federal restrictions associated with child care costs reimbursed under other federal and state programs (see box).[20] States, therefore, have significant flexibility to set policies that best meet the needs of low-income working families in their state.

DEPENDENT CARE DEDUCTION DIFFERS FROM SNAP EMPLOYMENT AND TRAINING

Child care expenses eligible for the dependent care deduction are not subject to the same limitations as child care provided under the Supplemental Nutrition Assistance Employment and Training (SNAP E&T) program or state subsidized child care programs.

Because the dependent care deduction is not required and is a deduction rather than a federal reimbursement, it is more flexible and subject to fewer restrictions. For example:

- Participants are not required to work a minimum number of hours to qualify for the dependent care deduction.
- Rules regarding the types of dependent care that may be used are limited; the dependent care provider need not be licensed.
- The reimbursed cost is not capped.
- Adult supervised care for dependents of any age is eligible; the deduction is not limited to care for children 12 and under.

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[17] See FNS Memorandum, "Categorical Eligibility Questions and Answers", January 26, 2010. http://www.fns.usda.gov/snap/rules/Memo/2010/012610.pdf

[18] See FNS Materials on Categorical Eligibility, http://www.fns.usda.gov/snap/rules/Memo/2010/121809.pdf, December 18, 2009.

[19] See 7 C.F.R. §273.9(d)(4).

[20] Food Stamp Program participants enrolled in SNAP E&T programs must be provided with child care. States are required to pay 50 percent of the cost of the care, with the federal government reimbursing the rest. SNAP E&T child care has several restrictions, including: the reimbursed cost is capped based on established child care rates, dependents must be 12 and under or physically or mentally disabled to qualify, the care arrangement may be required to meet standards established by state or local law, and dependent care beyond that required for SNAP E&T participation may not be reimbursed. Because the dependent care deduction is a deduction rather than a federal reimbursement, these restrictions do not apply.

Further, unlike child care subsidies (which may have limited availability), the deduction is available to all eligible participants; a person who claims the deduction does not thereby prevent anyone else from receiving it.

Those Who Are Employed

A participant may take the deduction for dependent care expenses necessary for *any* employment; the household's employment or educational activities need not be associated with a program work requirement. The deduction is available to food stamp participants who are:

- earning wages;
- self-employed, even if they are not earning the minimum wage;
- performing volunteer work in any capacity;
- working full- or part-time; or
- participating in any work- or training-related activities, even if these activities take place when the participant is not currently employed.

STATE POLICY EXAMPLES

Idaho: The dependent care policy defines job search as "to look for work." Further, it states that the "person does not need to be subject to job search requirements."

[Idaho Food Stamp Policy Manual, Chapter 6, 03.04.536 Dependent Care Expenses, .02 Job Search, http://www.healthandwelfare.idaho.gov/Portals/Rainbow/Manuals/FS/FS_Handbook.htm]

Missouri: "College attendance is an example of education preparatory for employment; therefore, dependent care expense is an allowable deduction while an EU [economic unit] member is attending college."

[Missouri Food Stamp Manual, 1115.035.10 Dependent Care, http://www.dss.mo.gov/fsd/iman/ fstamps/1115-035-10.html]

Washington: Educational or training activity "could be a short-term course or a four-year college, as long as it would be reasonable to expect that it would help the client become employed."

[Washington Food Stamp Manual, Dependent Care Deductions, http://www.dshs.wa.gov/manuals/eaz/sections/INCMeffect.shtml#DependentCareDeductions]

Those Seeking Employment

The deduction also is available to support households where a member is *seeking* employment.[21] This helps ensure that children are in stable child care arrangements and that participants are able to actively look for work.

Federal rules grant states wide latitude when defining "seeking employment." In particular, the job search provision is not to be confused with the definition of job search that the Food Stamp Program may use elsewhere. Participants do not need to document their job contacts or check in regularly with the relevant government office to qualify for the dependent care deduction.

Some states confirm in their policy manuals that an individual can qualify as seeking or searching for employment even if she or he is not subject to job search requirements.

Those Attending School or Training

Food stamp participants who engage in educational or training activities to help them become employed can qualify for the dependent care deduction. Again, states have wide latitude to

[21] See 7 C.F.R. §273.9(d)(4).

determine which educational activities would enable the person to claim a deduction. Examples could include enrollment in a:

- night class to obtain a community college degree;
- short-term basic English literacy course;
- state GED program;
- college course taken by a qualifying student;
- electrician or culinary school; or
- job skills training.

States can help caseworkers understand the flexibility permitted in defining educational or training activities by providing specific examples of qualifying activities, including examples of programs they may be familiar with and that are commonly used in their state. Of course, given the deduction's flexibility, these lists cannot be exhaustive and it is important that they are not presented as such.

WHEN A HOUSEHOLD MEMBER IS DISQUALIFIED

If a household member is ineligible for food stamp benefits, the household still may be able to benefit from the dependent care deduction if an eligible adult in the household contributes to payment of the dependent care expenses (7 C.F.R. §273.1(b)(1)).

Federal regulations require that dependent care expenses be prorated in households containing members who are ineligible for food stamp benefits. If it is impossible to determine which household members pay for dependent care, the eligible household member may deduct a prorated amount of the dependent care (7 C.F.R. §273.11(d)(2)). However, if the entire expense is borne by the ineligible household member, the household does not qualify for the dependent care deduction.

IV. WHAT TYPES OF CARE QUALIFY FOR THE DEDUCTION?

The dependent care deduction is available for expenses related to nearly any type of dependent care that enables the food stamp participant to accept or continue employment, seek employment, or attend school or training. The deduction is not limited to certain types of dependent care, such as licensed child care; rather, it allows for informal or alternative types of care as long as another member of the food stamp household does not provide it.

Acceptable Dependent Care Arrangements

Many low-income families rely on complex patchworks of child care.[22] Informal arrangements such as a neighbor or extended family member looking after a child outside school hours are common, and participants may count the related costs towards the dependent care deduction. To ensure the deduction covers the full range of dependent care expenses households may incur, the deduction is not limited to formal, licensed day care situations.

Similarly, deductible child care expenses are not limited to the care of young children. The costs of any adult-supervised activity provided to dependents of any age, before and after school or when school is not in session, constitute allowable expenses. There is no requirement that children be 12 and under or any other specific age, as can be the case under other child care programs.

State policy manuals can make clear to caseworkers that care arrangements other than a traditional child care setting are eligible for the deduction. While there may be numerous alternative care arrangements that food stamp participants use to meet their particular needs, some common types of allowable care include:

- formal child day care centers or family day care homes;
- adult day care centers;
- informal, private child or adult care arrangements with individuals outside of the household;
- before-school and after-school care;
- special needs care;
- at-risk youth programs, such as those sponsored by the YMCA and Boys' and Girls' Clubs; and
- summer and vacation camp programs.

STATE POLICY EXAMPLES

Kentucky: "If childcare is provided for [children over the age of five and under the age of 17] after school hours, allow that expense as a deduction."

[Kentucky Food Stamp Program Operation Manual, 5450, Dependent Care Deduction, http://manuals.chfs.ky.gov/dcbs_manuals/DFS/VOLII/OMVOLII.pdf]

Pennsylvania: The food stamp policy manual states that there is no age limit for the dependent care deduction and provides the following example: "A mother is employed full time. She has a 14-year-old daughter and must pay for the daughter's care while she works. The mother feels that her daughter lacks maturity to remain at home alone while she works. The [state agency] can use flexibility in determining the necessity of child care for the household and allow a dependent care deduction."

[Pennsylvania SNAP Handbook, 560.5, Dependent Care Deduction, http://www.dpw.state.pa.us/oimpolicymanuals/manuals/bop/fs/560/560-04.htm#P541_12019]

Choice of Care Arrangement Lies with Participant

Low-income families need maximum flexibility in making care arrangements that allow them to continue working, searching for employment, or participating in training or educational activities.

[22] See Virginia W. Knox, Andrew S. London, and Ellen K. Scott, *Welfare Reform, Work, and Child Care: The Role of Informal Care in the Lives of Low-Income Women and Children,* MDRC, October 2003, https://www.mdrc.org/publications/353/policybrief.pdf.

Participants working late evening or overnight shifts, in particular, often have to make care arrangements for their children that might not be ideal.

The Food Stamp Program leaves the decision about child care arrangements with the participant. A caseworker need not evaluate whether the participant's chosen arrangement is the most appropriate or affordable one available, and a participant need not demonstrate that no one else in the household is available to provide care. For example, a mother who takes a child to day care when the child's grandparent is in the home may be allowed the deduction. Participants are not required to justify their decisions regarding child care arrangements.

Whatever the reason for care arrangements, deference generally can and should be given to a parent's dependent care decision if it enables the parent to pursue work- or education-related activities.

V. WHAT TYPES OF EXPENSES MAY BE DEDUCTED?

In fiscal year 2008, single-parent households with earnings and young children that claimed the dependent care deduction received an average deduction of $167 per month. This figure varied widely among states, ranging from $37 in Washington to $273 in Nevada (see Appendix I).

Many factors can explain these differences, such as regional variation in the cost of formal and informal care, the share of households that receive some form of subsidy as compared to those that pay the full cost of care, and differing co-payments in child care subsidy programs. State food stamp programs have little control over those factors. The state does have control, however, over ensuring that households can deduct the full range of expenses that may be counted towards the deduction.

According to federal regulations, deductible dependent care expenses are those "[p]ayments for the actual costs for the care of children or other dependents."[23] Under prospective budgeting procedures,[24] if a household can reasonably expect to pay an expense in any month, it is to be budgeted. Expenses that qualify under this deduction include the cost of care charged to the participant and any additional costs associated with dependent care, such as transportation to a child or adult day care provider. The following are common expenses related to dependent care and are discussed below: the cost of the dependent care, co-payments for subsidized child care, transportation costs, costs for non-reimbursed care, and costs incurred when care is not actually provided.

Dependent care expenses that are *not* allowed include in-kind payments to the care provider, care by another member of the same food stamp household, payments to excluded vendors, already reimbursed dependent care expenses, and expenses qualifying as medical costs.[25]

States use different approaches to determine what expenses are allowable. To ensure that households eligible for the deduction can deduct all of their costs, states may wish to examine

[23] See 7 C.F.R. §273.9(d)(4).

[24] See 7 C.F.R. §273.21(g).

[25] See 7 C.F.R. §273.10(d)(1).

whether their policies are sufficiently broad to include all costs associated with dependent care. More detailed information about common expenses is provided below, along with examples of state policies that enable households to maximize their benefits.

Allowable Expenses

The Cost of Care

The first and most obvious expense that must be accounted for is the amount billed to the household for dependent care. Whether this cost consists of the monthly fee for a child day care center, the non-medical fees for an in-home attendant for an elderly parent, direct payments to a family friend caring for the dependent on an hourly basis, or other arrangements, households may deduct the amount that the care provider bills them for the care.[26]

Co-Payments for Subsidized Child Care

Co-payments for participation in child care subsidy programs are deductible. Some states, such as Idaho,[27] Kentucky,[28] and Montana, specify this fact in their food stamp policies. This is helpful in clarifying that the expense is deductible. However, co-payments are deductible whether or not state policy specifically mentions them.

Even if child care providers sometimes waive the co-payment, it is still deductible because the expense is paid by a household in some months and affects the household budget. For uniformity and simplicity, food stamp households can deduct all co-payments for subsidized child care from their income.

STATE POLICY EXAMPLES

Montana: "Childcare co-payments for all FIA [Family Investment Agreement] or IFP [Individual Family Plan] activities are an allowable deduction."

[Montana Department of Public Health and Human Services, Food Stamp Manual, Eligibility and Benefit Determination, Deductions (Earned, Standard, Dependent Care and Child Support), FS 602-2(4)(b), p. 2, http://www.dphhs.mt.gov/hcsd/fsmanual/fs602-2-10012009.pdf]

Washington: "We allow the dependent care deduction for a client's WCCC [Working Connections Child Care] co-pay even if the provider waives the fee on a regular basis."

[Washington Food Stamp Manual, Dependent Care Deductions, http://www.dshs.wa.gov/manuals/eaz/sections/INCMeffect.shtml#DependentCareDeductions]

"When a portion of the client's dependent care expenses are paid by Working Connections Child Care (WCCC) or any other source, the client gets the dependent care deduction for the portion not paid by someone else."

[Washington Food Stamp Manual, Dependent Care Deductions, http://www.dshs.wa.gov/manuals/eaz/sections/INCMeffect.shtml#DependentCareDeductions]

Where states can access co-payment information through the agency that administers child care programs, caseworkers can add these costs to a household's dependent care deduction automatically. By building their eligibility systems to automatically deduct child care co-payments without initiation

[26] See 7 C.F.R. §273.10(d)(2).

[27] See Idaho Food Stamp Manual, 03.04.536 Dependent Care Expenses, http://www.healthandwelfare.idaho.gov/Portals/_Rainbow/Manuals/FS/FS_Handbook.htm.

[28] See Kentucky Food Stamp Operations Manual, MS 5450, Dependent Care Deduction, http://manuals.chfs.ky.gov/dcbs_manuals/DFS/VOLII/OMVOLII.pdf.

by the household, states can save time and ensure that households do not miss out on deductible expenses.

Even if linking databases directly is not possible, caseworkers may be able to obtain child care subsidy program participation and co-payment information directly from the responsible agencies. (See "Verification of Subsidized Child Care.")

Transportation

Transportation costs incurred when taking dependents to and from a care provider on public transportation or by car are allowable expenses under the dependent care deduction. Families may need to travel significant distances to access affordable, quality child care. Further, families with subsidized child care may have significant unreimbursed transportation costs that can affect family budgets.

Although transportation costs must be considered deductible, it appears that many states are not allowing or encouraging participants to deduct these expenses. A recent USDA study of food stamp data found that no households had reported transportation expenses.[29] States have considerable discretion in determining what specific transportation-related costs are included,[30] and may wish to review their policies to ensure they support deducting transportation expenses and address situations that are common in their state.

STATE POLICY EXAMPLES

Kentucky: "The dependent care deduction also includes the expense of transporting the child to and from the care provider."

[Kentucky Food Stamp Manual, MS 5450 Dependent Care Deduction, http://manuals.chfs.ky.gov/ dcbs_manuals/ DFS/volii/voliims5450.doc]

Massachusetts: "Allowable dependent care expenses include transportation costs to and from program sites at the current federal mileage rate or the cost of public transportation."

[Massachusetts Field Operations Memo 2007-19, Food Stamp Program – Verification of Dependent Care Expenses, March 15, 2007, http://www.masslegalservices.org/system/files/DTA+Field+Ops+2007-19.pdf]

Missouri: Dependent care includes … the costs for transportation to and from the [dependent care] facility.

Caseworkers are instructed to use "the incurred/billed cost or the current rate of mileage reimbursement for [state] employees when calculating dependent care transportation costs."

[Missouri Food Stamp Manual, 1115.035.10 Dependent Care, http://www.dss.mo.gov/fsd/ iman/fstamps/1115-035-10.html]

Montana: Reasonable costs to transport a dependent to or from care are an allowable dependent care expense.

[Montana Food Stamp Manual, Eligibility and Benefit Determination, Deductions (Earned, Standard, Dependent Care and Child Support), FS 602-2(4)(a), p. 2, http://www.dphhs.mt.gov/ hcsd/fsmanual/fs602-2-10012009.pdf]

Texas: Allow an earned income deduction for the actual costs of unreimbursed payments up to the maximum amounts when the client incurs an expense for … transportation of a child to and/or from day care or school.

[Texas Food Stamp Manual, A-1423 Dependent Care Deduction, http://www.dads.state.tx.us/ handbooks/TexasWorks/A/1400/1400.htm#secA-1423]

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[29] See U.S. Department of Agriculture, Food and Nutrition Service Memorandum, *Supplemental Nutrition Assistance Program (SNAP): Applications' Statements about Unreported and Unverified Expenses,* November 18, 2009, http://www.fns.usda.gov/fsp/rules/Memo/2010/111809.pdf.

[30] See Questions and Answers on Certification Issues from the 2008 Farm Bill -- #2, August 29, 2008, http://www.fns.usda.gov/snap/rules/memo/2008/082908.pdf. Currently, there is no national policy regarding what may be included in transportation costs. USDA has stated that it plans to regulate in this area to establish consistent rules. Until that time, states have discretion to set policy. Given that it can take USDA considerable time to issue final regulations, states need not be concerned that there will be significant policy changes in this area soon.

Several states, including Kentucky, Massachusetts, Missouri, Montana, and Texas, explicitly allow households to include transportation costs to care providers when calculating the dependent care deduction.

The Montana policy is helpful because it specifies in writing that transportation costs are allowable and allows room for case-by-case consideration of what constitutes "reasonable costs" associated with taking a dependent to a care provider, whatever the means of transportation.

It is also important to note that participants with no out-of-pocket expenses for child care may have deductible transportation expenses related to care. For example, a household that relies on extended family for free child care may have to drive a long distance to access that care. Massachusetts guidance regarding the dependent care deduction addresses this by noting that "households with fully subsidized child care may still claim the deduction for transportation expenses."[31]

Policies also may specify that transportation expenses include the actual cost of public transportation by bus, train, or subway, or the cost of using a privately owned vehicle by a household member, making these facts even clearer to caseworkers calculating a household's expenses.

States may allow households, when calculating travel costs, to use the federal or state mileage reimbursement rate[32] for simplicity and program uniformity. States that use this approach also may allow households to determine the distance between their residence and child care provider using free web-based mileage calculators, such as MapQuest or Google Maps.[33] Massachusetts guidance specifically directs participants to use MapQuest to calculate mileage.[34]

EXAMPLE:

MILEAGE BREAKDOWN

Transportation costs in the form of gas mileage are particularly important to consider. They can provide a significant increase in the food stamp benefit amount. Consider the following example:

Mileage: 200 miles per month
(the child care provider lives five miles from the participant and the participant drives the child to and from care five days a week)

Mileage Expense: $100 per month
(multiply the mileage by the federal gas mileage reimbursement rate of $0.50 per mile)

Additional Food Stamp Benefits: $45 per month
(based on a typical household of three with earnings of $1,260 per month and shelter expenses in fiscal year 2010)

Non-Reimbursed Care

Similar to co-payments, dependent care expenses that another program does not reimburse are allowable under this deduction. For example, if a household receives unlicensed informal care that does not qualify for reimbursement through the SNAP E&T program due to state restrictions, it can

[31] See Massachusetts Legal Services, *Food Stamps/SNAP and the Dependent Care (Child Care) Deduction (Overview and Attachments),* http://www.masslegalservices.org/node/27148.

[32] The U.S. Government Services Administration publishes mileage reimbursement rates each year for federal employees: http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=9646. Effective January 1, 2010, the federal mileage reimbursement rate is 50 cents per mile.

[33] See http://www.mapquest.com/ and http://maps.google.com/.

[34] See Massachusetts Field Operations Memo 2007-19, Food Stamp Program – Verification of Dependent Care Expenses, March 15, 2007, http://www.masslegalservices.org/system/files/DTA+Field+Ops+2007-19.pdf.

include expenses related to this care in the dependent care deduction. Including such language in state policies draws attention to expenses a household incurs that another program does not reimburse.

Expenses Incurred When Care Is Not Provided

Dependent care expenses are calculated based on what a participant is billed for child care, rather than the amount of child care that was used. Dependent care providers, especially child care providers, often charge for care on a weekly or monthly basis even when dependents are absent. Even providers that provide care on an hourly basis may require households to pay for hours missed in order to hold their slot until they return to care.

A child may be absent and not use a care provider's services due to the child's (or parent's) illness, a parent's temporary unemployment, lack of transportation to the care provider, a medical or other emergency that prevents the dependent from being present, or various other reasons. Although sometimes these costs can be negotiated with the provider, often parents — particularly those using formal child care arrangements — are charged for the contracted care whether or not the child is present.

When calculating dependent care expenses, states may allow expenses incurred for times when care is scheduled but not used. States can decide how to accommodate these circumstances on an individual basis. For example, if a parent or child has an illness or disability, he or she might miss several days of child care. Or, parents that are shift-workers or part-time workers may need full-time care due to unpredictable schedules in order to fulfill their work contracts. It should be noted, however, that households are not required to report changes in child care schedules.

State policies limiting the number of billed but unused days that participants may include in the deduction inappropriately limit the deduction to eligible households. Such a policy does not allow for circumstances that may legitimately result in payment for unused care. For example, states that permit a deduction for an arbitrary number of days of care that were paid for but unused may penalize families that experience longer bouts of illness or other legitimate circumstances. Such states would be more effective in providing the full benefit if they allowed the full deduction for dependent care expenses unless they are questionable and considered questionable expenses on a case-by-case basis.

Disallowed Expenses

Dependent care expenses must be direct payments to a dependent care provider from the participant. That is, payments must go to someone outside the food stamp household, and they may not be paid by a vendor or reimbursed through another program. Thus, participants may *not* claim the expenses described below.

Care by Food Stamp Household Member

Costs for dependent care provided by another member of the same food stamp household are not allowable. While the dependent care deduction allows states considerable flexibility in determining what expenses to allow, federal regulations include the following explicit exclusion:

> Expenses shall only be deductible if the service is provided by someone outside of the household and the household makes a money payment for the service. For example, a dependent care deduction shall not be allowed if another household member provides the care, or compensation for the care is provided in the form of an in-kind benefit, such as food.[35]

In-Kind Benefits

As noted above, payments for dependent care in the form of in-kind benefits are also excluded from the deduction. According to federal regulations, in-kind benefits are:

> Those for which no monetary payment is made on behalf of the household and include meals, clothing, housing, or produce from a garden.[36]

Unless a household is obligated to make direct cash payment for a service, it may not deduct the expense. Therefore, participants may not provide free rent or food to a dependent care provider in exchange for care.

Vendor Payments and Reimbursed Expenses

Costs for dependent care that are paid directly by someone other than the food stamp participant are not deductible. Moreover, federal guidelines state that public assistance vendor payments for child care are excluded as income and, thus, not deductible. The federal regulations define a vendor payment as:

> A money payment made on behalf of a household by a person or organization outside of the household directly to either the household's creditors or to a person or organization providing a service to the household.[37]

STATE POLICY EXAMPLE

Wisconsin: "Do not allow a dependent care deduction for the portion an agency pays directly to the dependent care provider. Deduct any amount the [household] actually incurs or pays above the vendored, vouchered, or reimbursed payment."

[Wisconsin FoodShare Handbook, 4.6.6, Dependent Care Deduction, October 21, 2009, http://www.emhandbooks.wi.gov/fsh/]

Similarly, dependent care expenses that are reimbursed by another source, such as a state child care subsidy program, JOBS program, or the SNAP E&T program, are not deductible. The regulations state:

> A dependent care expense which is reimbursed or paid for by the Job Opportunities and Basic Skills Training (JOBS) program under title IV-F of the Social Security Act (42 U.S.C. 681) or the Transitional Child Care (TCC) program shall not be deductible.[38]

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[35] See 7 C.F.R. §273.10(d)(1)(ii).

[36] See 7 C.F.R. §273.9(c)(1).

[37] See 7 C.F.R. §273.9(c)(1). Rules governing vendor payments with regard to the dependent care deduction are the same as those that apply to the rest of the Food Stamp Program.

[38] See 7 C.F.R. §273.10(d)(1)(i).

However, participants may deduct any portion of their dependent care expenses for which they are not reimbursed, as well as any portion of those expenses that they pay directly to the provider.

VI. WHEN IS VERIFICATION OF DEPENDENT CARE REQUIRED?

Federal rules do not require states to verify all dependent care expenses. Instead, they must verify only those claims that are questionable to ensure that the participants are correctly reporting them. To help states reduce unnecessary paperwork for caseworkers and simplify the application process, this section will discuss some ways in which state policies and practices on verification can make best use of the dependent care deduction.

Self-Declaration of Expenses

As noted above, federal regulations do not require verification of dependent care expenses unless they are questionable.[39] The dependent care deduction can be claimed based on the statement of the participant. This is referred to as "self-declaration." State agencies are not required to collect specific documents to verify the deduction amount. This enables caseworkers to simply and quickly ensure that eligible participants are receiving the full benefit.

Self-declaration permitted for the dependent care deduction differs from the approach used in the SNAP E&T program, which specifically requires the name and address of the child care provider, the cost, and the hours of service in order for the state to qualify for federal reimbursement for the cost of the care.[40]

Verification of dependent care expenses is necessary only when a caseworker deems a particular expense "questionable." The regulations state:

> To the extent that the information given by the household is questionable, as defined in §273.2(f)(2), State agencies must request verification of the household's statements. The primary responsibility for providing verification, as provided in §273.2(f)(5), rests with the household.[41]

Recent USDA guidance confirms that states need not verify all dependent care expenses. It also indicates that states may disregard reported changes in dependent care expenses until the next recertification.[42]

Self-declaration does not require a signed document addressed only to dependent care expenses. Instead, states can rely simply on the signed food stamp application the participant submits, which includes the dependent care expenses.

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[39] See 7 C.F.R. §273.2(f)(2)(i).

[40] See 7 C.F.R. §273.7(d)(4)(i).

[41] See 7 C.F.R. §273.7(i)(4).

[42] See U.S. Department of Agriculture, Food and Nutrition Service, Verification Requirements and State Options, July 10, 2009, http://www.fns.usda.gov/fsp/rules/Memo/2009/verification-requirements.pdf.

In recent years, some states have revised their policies to allow self-declaration and require verification only when information is questionable. To address the small number of households claiming the dependent care deduction, Massachusetts changed its policy requiring verification of all dependent care expenses. In March 2007, the state agency issued a revised policy requiring verification only of questionable expenses.[43] In guidance to staff, the state agency said:

> When determining dependent care expenses the [state worker] must accept the applicant/recipient's self-declaration of the cost of dependent care unless the information is questionable…. [T]he self-declaration shall be a signed and dated statement from the individual that incurs the expense.[44]

Since that policy change was implemented, Massachusetts has seen a 105 percent increase in the number of households claiming the deduction, outpacing the overall increase in food stamp participation in the state which grew by 60 percent during the same period.[45]

In 2009, Wisconsin issued a similar policy change and required verification of dependent care expenses only when the reported amount is questionable. The state cited increased program participation and decreased administrative burden as expected benefits of the change. In making the change, the state noted:

> The incorrect budgeting of dependent care expenses has accounted for very few quality control errors during the most recent five year period and is not a significant cause of payment error.[46]

Other states, including Maryland,[47] Minnesota,[48] Missouri,[49] and Oklahoma,[50] also have policies that affirm federal law, making it clear that self-declaration of dependent care expenses is permitted

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[43] See Massachusetts Supplemental Nutrition Assistance Program Manual, 364.450 Verification of Deductible Expenses at Initial Certification, http://www.mass.gov/Eeohhs2/docs/dta/g_reg_364.pdf. This manual states: "Other deductible expenses [besides medical expenses] are verified prior to initial certification only when questionable and use of the expense claimed by the household would actually result in a deduction."

[44] See Massachusetts Field Operations Memo 2007-19, Food Stamp Program – Verification of Dependent Care Expenses, March 15, 2007, http://www.masslegalservices.org/system/files/DTA+Field+Ops+2007-19.pdf.

[45] See Massachusetts Legal Services, http://www.masslegalservices.org/system/files/DependentCare_Deduction_Caseload_Increase_2.pdf.

[46] See Wisconsin BEM-DFS Operations Memorandum 09-75, *Verification of Shelter and Dependent Care Expenses for FoodShare,* December 7, 2009, http://dhs.wi.gov/em/ops-memos/2009/pdf/09-75.pdf.

[47] See Maryland Food Stamp Policy Manual, 212.7(B), *Verification of Dependent Care Expenses,* http://www.dhr.state.md.us/stamp/manual/212_dedu.pdf. This manual states: "Dependent care expenses do not have to be verified unless questionable."

[48] See Minnesota Food Stamp Policy Manual, 0018.09, *Dependent Care Deduction,* http://www.dhs.state.mn.us/main/groups/county_access/documents/pub/dhs16_147629.pdf. This manual states: "Verify paid dependent care costs only if questionable."

[49] See Missouri Food Stamp Policy Manual, 1115.035.10 *Dependent Care,* http://www.dss.mo.gov/fsd/iman/fstamps/1115-035-10.html. This manual states: "Verification of dependent care expenses is not required unless the information is questionable."

[50] See Oklahoma Food Stamp Policy Manual, 340:50-7-31(b)(4) *Dependent Care,* http://www.okdhs.org/library/policy/oac340/050/07/0031000.htm. This manual states: "Dependent care is only

and verification is required only if the information provided is questionable. These states represent those with very low and moderate error rates, suggesting that simplifying dependent care deduction verification does not drive program errors.

Caseworkers are likely to have a good sense of the local cost of child care and can use their judgment to decide whether the information provided by the participant is questionable and should be verified. This policy sends an important message that workers are not expected to routinely require verification beyond the participant's self-declaration.

Questionable Expenses

According to the federal regulations, "states shall establish guidelines to be followed in determining what shall be considered questionable information."[51] These guidelines must be non-discriminatory and ensure that all participants are treated fairly.

An expense might be considered questionable if it is unusually high relative to the type and amount of care being provided or inconsistent with the purposes of the deduction or other information provided.

State food stamp agencies may consider working with their state child care subsidy agencies to determine typical child care expenses for the various regions within the state. Expenses falling outside these guidelines then could be considered questionable and subject to verification.

State agencies also may elect to require verification of factors affecting a household's eligibility or allotment level.[52] Requiring verification in all cases or in certain specific cases, however, increases the administrative burden for caseworkers and may delay households' receipt of the deduction or deter them from claiming the deduction.

Because federal law does not require verification of dependent care expenses that are *not* questionable, doing so creates a more burdensome process for both state agencies and food stamp applicants and may limit the number of households benefiting from the deduction.

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verified when the expenses claimed would actually result in a deduction and other information available to the worker is inconsistent with the household's claim that it incurs a dependent care expense or that the household incurs the expense for reasons of employment, seeking employment or training, or education for employment."

[51] See 7 C.F.R. 273.2(f)(2).

[52] See 7 C.F.R. §273.2(f)(3).

STATE POLICY EXAMPLE

Massachusetts: "Examples of dependent care expenses that may be considered questionable are as follows:

1. George works 20 hours weekly and grosses $800 a month. His rent is $500 a month and he pays his own heat. Neither his Landlord Verification form nor utility bills indicate an arrearage. He states that he pays day care of $150 weekly for his four children. In this situation, since his expenses far exceed his income, without a reasonable explanation, the AU Manager should request a verification of the dependent care expense.
2. At recertification Jessica claims that her dependent care expenses are now $100 weekly, but at her last certification the expense was $30 weekly. She has not provided a reasonable explanation for the increase, such as working more hours or loss of day care subsidy, and no other circumstances have changed. In this situation, a significant change in the amount claimed must be verified."

[Massachusetts Field Operations Memo 2007-19, Food Stamp Program – Verification of Dependent Care Expenses, March 15, 2007]

Virginia: "To be considered questionable, the information on the application must be:

a. inconsistent with statements made by the applicant;
b. inconsistent with other information on the application or previous applications; or,
c. inconsistent with any other information received by the local agency.

When determining if information is questionable, the local agency must base the decision on each household's individual circumstances."

[Virginia SNAP Manual, Part 3, Chapter A Verification, http://dssiad.dss.state.va.us/FoodStampManual/pageview.html?page=P3CA.html]

Sources of Verification

When child care expenses are found to be questionable, the standard sources of verification are bills for such costs from the appropriate months or a statement from the provider concerning the appropriate months and amounts.[53] A provider's oral confirmation of the expense is referred to as a collateral contact and may be made over the telephone or in person.[54]

Other forms of documentary evidence used to verify dependent care expenses could include:

- written statements from participants;
- written statements from agencies or organizations assisting with expenses;
- cancelled checks; or
- paid receipts or bills.

This list is not exhaustive. According to federal law, caseworkers "must accept any reasonable documentary evidence provided by the household."[55]

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[53] See FNS Handbook 310, *Supplemental Nutrition Assistance Program Quality Control Review Handbook,* Section 1130.3, October 2008, http://www.fns.usda.gov/snap/qc/pdfs/FNS_310_Handbook.pdf.

[54] See 7 C.F.R. §273.2(f)(4)(ii).

[55] See 7 C.F.R. §273.2(f)(5)(i).

While the primary responsibility to provide documentation rests with the household unless they require help, efforts by a caseworker to verify dependent care expenses, such as contacting a dependent care provider or checking child care agency databases, can significantly speed up the processing time for the deduction and disbursal of the full food stamp benefit.

In cases of self-declaration of expenses, the information may be verifiable by collateral contacts if deemed questionable. Generally, the household will provide the names of the collateral contacts.[56] If a caseworker determines verification is needed but the household cannot obtain it, the state must process the application without the deduction. A household's inability to verify the expense is not an acceptable basis to deny the claim.

Verification of Transportation Costs

As mentioned in the previous section on allowable expenses, it is important to include transportation costs, including mileage, when determining child care expenses. Like all other incurred dependent care expenses, states must verify only those transportation costs that are questionable. Therefore, self-declaration is the most efficient way to establish the expense.

While states may be legitimately concerned with maintaining accuracy, caseworkers are likely to be familiar with the usual modes of transportation and distance traveled by the participant. For this reason, it is unlikely that errors would result if the state accepts these costs via self-declaration. If the declared amount is questionable, caseworkers can inquire further to verify the expense.

STATE POLICY EXAMPLES

Arkansas: "At any case action, dependent care costs need be verified only if information regarding these costs is questionable. If verification is requested the county office worker will also document:

1. The reason the payment was considered questionable; and
2. The source of the verification (example - phone call to Kiddie Kare Director, Mrs. John Smith, verified the amount billed as $50 per week)."

[Arkansas Food Stamp Policy Manual, 6410 Documentation and Verification of Dependent Care Costs, http://www.arkansas.gov/dhs/webpolicy/Food%20Stamp%20Certification/FSC6100_new.htm#FSC6410]

Virginia: "Acceptable verification includes a signed statement from the provider, receipts signed by the provider, or statements from agencies or organizations assisting with child care expenses."

[Virginia Food Stamp Manual, http://dssiad.dss.state.va.us/FoodStampManual/search.html?page=P10/ P10CA.html]

"Whenever a collateral contact must substitute for documentary evidence because documentary evidence is not available, the local agency must generally rely on the household to provide the name of a collateral contact. The household may request assistance in designating a collateral contact. The local agency is not required to use a collateral contact designated by the household if the collateral contact cannot provide accurate third party verification. When the collateral contact designated by the household is unacceptable, the eligibility worker must ask the household to designate another collateral contact or the eligibility worker will designate the collateral contact. The eligibility worker is responsible for obtaining verification from acceptable collateral contacts.

The eligibility worker may contact only those persons designated as collateral contacts with the permission of the household. In the absence of documentary evidence and any other source of verification, the eligibility worker must determine the amount to use for certification purposes based on the best available information."

[Virginia Food Stamp Manual, http://dssiad.dss.state.va.us/FoodStampManual/search.html?page=P3/ P3CB.html]

[56] See 7 C.F.R. §273.2(f)(5)(ii).

Verification of Subsidized Child Care

As noted previously, one way to speed up and ease the verification process for households that receive a state child care subsidy is to match a state's food stamp and child care program databases or provide food stamp workers with access to child care program data. Under such a system, when a household applies for food stamp benefits, the co-payments made to the child care program can be automatically verified and counted toward the deduction.

Accessing information in the child care database also enables the state to easily verify changes in co-payments at recertification.

Assisting Households with Verification

If a caseworker requires verification because the information provided is questionable, the household must be allowed at least ten days to provide the required verification information. If a participant states that documentation is not readily available, federal regulations direct states to offer assistance in obtaining the necessary verification.[57]

If verification cannot be completed by any other means, caseworkers may accept self-declaration as documentary evidence.

STATE POLICY EXAMPLE

North Carolina: If, even after assisting the participant, the caseworker cannot verify the dependent care expenses, he or she must first "[c]onsult with the [participant] to determine the amount of the expense based on the best available information," and second, "[r]equest a signed statement from the [participant] regarding the dependent care expense, and document the case file thoroughly with the reason the verification could not be obtained."

[North Carolina Food Stamp Manual, 280.04(D)(4) DEPENDENT CARE DEDUCTION, http://info.dhhs.state.nc.us/olm/manuals/dss/ei-30/man/FSs280.htm]

Recertification and Changes

Households that qualify for food stamp benefits remain eligible for a determined period of time, typically six or twelve months. Once their original eligibility period has expired, they must be "recertified" as eligible for benefits.[58] States have varied recertification procedures. Under federal law, however, when a household is recertified, only changes to the household's dependent care expenses that are questionable must be verified. Therefore, it is not necessary to make households recertify child care expenses unless something has changed and the worker finds the change questionable.

Further, households are not required to report changes in dependent care expenses except at recertification. Although federal regulations specify threshold amounts for reporting changes in income, medical and utility expenses, and child support obligations, they do not require households to report changes in dependent care costs unless they want to increase their deduction.[59]

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[57] See 7 C.F.R. §273.2(f)(5).

[58] See 7 C.F.R. §273.14.

[59] See 7 C.F.R. §273.2(f)(8)(i).

If a household does not report a change in dependent care expenses during the recertification stage, caseworkers can inquire about changes in order to ensure the household is fully utilizing the dependent care deduction and maximizing the benefit amount.

VII. MAKING FULL USE OF THE DEPENDENT CARE DEDUCTION

As noted earlier, many households eligible for the dependent care deduction do not claim it. This paper has provided examples of state policies that can simplify the process for administering and claiming the deduction. Families and caseworkers also need to be aware of the importance and availability of the.

With the limited administrative resources available to state food stamp agencies, it is important that they take effective steps to connect eligible households with the Food Stamp Program generally and the dependent care deduction specifically. Caseworkers who are proactive and help participants identify eligible expenses can be instrumental in ensuring that more participants claim the deduction. Below are other steps that state agencies can take to support and inform caseworkers in this effort and increase participant use of the dependent care deduction.

State Efforts

Database Matching

States may wish to consider linking the Food Stamp Program and child care subsidy program databases or providing food stamp workers with access to child care program data. This would enable caseworkers to verify co-payments quickly and easily, when necessary, and identify participants with child care expenses.

States could also establish routine procedures to cross-match food stamp participant data with lists of households receiving child care subsidies. This is a proactive approach that enables caseworkers to identify participants in the child care program who may have unclaimed expenses that the subsidy does not cover, such as copayments and transportation costs. Additionally, matching food stamp participant data against the child care subsidy waiting list would identify participants who may have out-of-pocket child care expenses while awaiting child care subsidies.

Outreach Materials

States and advocacy groups may want to create outreach materials to target families that may be eligible for the deduction. The Massachusetts Law Reform Institute created a fact sheet about the deduction and a worksheet that participants can complete and submit to their caseworker to ensure that they receive the full deduction to which they are entitled. The worksheet includes child care costs, co-payments, and transportation expenses and provides information on applying for food stamps.[60] (See Appendix III for examples of outreach materials.)

[60] See http://www.masslegalheldp.org/income-benefits/child-care-deduction-food-stamps.

State agency officials or advocates could provide this information to potentially eligible families. They also may use these materials to train child care referral agencies, family day care sponsors, and other child care provider organizations to ensure the child care system is referring low-income families to the food stamp agency.

As noted above, data from state child care subsidy programs also can be used to identify individuals who may be eligible for food stamp benefits but are not yet participating in the Food Stamp Program. States, particularly those that have implemented the categorical eligibility option, may want to conduct specific outreach to families identified in the child care program database. Families that may not otherwise be eligible for food stamp benefits may be eligible under categorical eligibility when their child care expenses are taken into consideration. (See the discussion of categorical eligibility in the "Background" section.)

State food stamp agencies also may consider working with the state agency that administers the Child and Adult Care Food Program to conduct outreach. Child and adult care providers participating in this federal program work with low-income families and may be willing to distribute materials about the Food Stamp Program and the dependent care deduction. Doing so may be in the best interest of the providers, particularly if they provide services to families that are struggling to pay their dependent care expenses.

Applications

USDA has clarified that if a state does not in some way bring the dependent care deduction to the attention of a participant, it cannot assume that the participant did not want to claim the deduction. A recent USDA memorandum stated:

> Suppose a State agency asks: "Do you have any child day care expenses?" but does not ask "Do you have any adult day care expenses?" and the household answers: "None." Suppose also that the household really does have adult dependent care expenses. It would be wrong to conclude that the household does not want to deduct adult day care expenses; the State agency never asked about adult day care.[61]

USDA acknowledges that it would be not be administratively feasible to ask about all deductible expenses on all applications. However, it may be possible to highlight some of the key expenses that applicants overlook, such as transportation costs and subsidy co-payments, or to target questions about specific deductions to participants likely to have those expenses. For example, online applications could include pop-up messages when participants who have identified dependents do not claim the deduction. If an applicant has indicated that there are young children in the household, a message might pop up that says:

> You have not entered dependent care expenses. You may claim all child or adult care costs that allow you to work, look for work, or attend most classes or training. Your costs might include: fees for babysitters, day care, before- or after-school programs, or summer camps;

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[61] See U.S. Department of Agriculture, Food and Nutrition Service Memorandum, *Supplemental Nutrition Assistance Program (SNAP): Applications' Statements about Unreported and Unverified Expenses,* November 18, 2009, http://www.fns.usda.gov/fsp/rules/Memo/2010/111809.pdf.

costs for taking your child to care, such as gas or bus fare; or child care subsidy co-payments. Your child does not have to be in licensed child care for you to claim the deduction.

Alternatively, caseworkers can be trained to recognize participants who may qualify for the dependent care deduction and ensure that questions about dependent care expenses are covered in the interview and documented accordingly.

Supervisory Reviews

Front-line supervisors routinely review the case files of the workers in their unit to ensure the quality and accuracy of the unit's work. These reviews may screen for whether caseworker provided the deduction to households that appear eligible. If supervisors discover that participants are not claiming the deduction and/or that caseworkers are not exploring the deduction with potentially eligible households, state agencies can provide training to caseworkers on the deduction and review policies that may be deterring participants from claiming the deduction.

Key Policies

In order to ensure that all eligible households receive the dependent care deduction, it is important that states, caseworkers, participants, and advocates are aware of several key policies that this paper has discussed. These areas may not be clear to all state workers or participants and may need to be clarified in state policy.

The following list includes these key policies. If state policy currently contradicts or does not clearly articulate these points, states may consider revising policies in order to simplify the process for claiming and administering the deduction and expand the number of eligible participants benefiting from the deduction.

KEY POLICIES RELATED TO THE FOOD STAMP DEPENDENT CARE DEDUCTION

1. There is no cap on the dependent care expenses that may be claimed.
2. The deduction is not limited to expenses related to the care of young children. The costs of any adult-supervised activity provided to dependents of any age, before and after school or when school is not in session, constitute allowable expenses.
3. Participants who pay expenses for the care of a dependent adult may claim the dependent care deduction.
4. Caseworkers are directed not to question household decisions regarding the use of dependent care.
5. There are no limits on the employment and training activities that necessitate the use of dependent care.
6. Dependent care need not be provided by a licensed provider to be eligible for the deduction; it can include a wide variety of arrangements.
7. Dependent care expenses need not be verified unless they are questionable. Instead, the participant may attest to the claim, with no further documentation required.
8. Transportation expenses relating to dependent care may be claimed using mileage determined through web mapping sites and multiplied by the federal or state mileage reimbursement rate.
9. The application for benefits enables the applicant and caseworker to easily identify and claim deductible dependent care expenses.
10. The state conducts outreach to households potentially eligible for the deduction as well as to child care providers.

VIII. CONCLUSION

The Food Stamp Program dependent care deduction offers states a flexible tool to provide increased benefits for low-income households bearing the burden of high dependent care costs. The deduction is simple to administer and applies widely to nearly any dependent care arrangement that enables a participant to work, look for work, or participate in approved education or training programs.

Connecting eligible households with the dependent care deduction will put more money into the pockets of working families facing low food security, thus mitigating the impact of out-of-pocket child care costs on food budgets. State policies that reflect the flexibility of the federal law can increase the number of families that claim the deduction. In addition, simplified policies that increase the available benefits may encourage eligible individuals to apply for food stamps in the first place. Given the difficult economic times, such an outcome is highly desirable.

APPENDIX

I: Single-Adult Working Households with Young Children Claiming the Dependent Care Deduction Table

The following table ranks the states according to the percentage of households with a single working adult and children under 5 that claimed the dependent care deduction in fiscal year 2008. The average deduction claimed and the number of households claiming the deduction also are provided for each state. Please note that the cap on the deduction was lifted October 1, 2008 (the start of fiscal year 2009). Therefore, this table reflects average deductions with a cap in place of $175 per child ($200 per infant). Deductions could be higher than the cap if more than one child was in care.

For more on these rankings and percentages, please refer to the sub-section entitled "Deduction Is Underutilized" in the Introduction.

Appendix 1:
SINGLE-ADULT WORKING HOUSEHOLDS WITH YOUNG CHILDREN CLAIMING THE DEPENDENT CARE DEDUCTION, FISCAL YEAR 2008*

Rank	State	% Claiming	Average Household Deduction	Number Claiming
1	North Dakota	58%	$183	1,195
2	Washington	55%	$37	7,819
3	Utah	55%	$154	2,722
4	Missouri	53%	$189	16,412
5	Idaho	50%	$264	1,833
6	Louisiana	49%	$188	14,733
7	Delaware	49%	$193	2,123
8	South Carolina	48%	$211	8,299
9	Georgia	48%	$173	19,164
10	Ohio	47%	$88	13,758
11	Connecticut	47%	$156	2,369
12	Florida	46%	$147	13,394
13	North Carolina	46%	$133	13,326
14	Texas	45%	$188	42,248
15	New Mexico	45%	$110	3,098
16	Wyoming**	44%	$103	512
17	Mississippi	43%	$184	6,328
18	Illinois	42%	$126	18,548
19	Maine**	41%	$143	1,199
20	Alabama	41%	$224	7,749
21	Oregon	41%	$160	4.329
22	Virginia	41%	$202	6,487
23	Vermont**	40%	$272	401
24	Alaska**	39%	$111	395
25	Massachusetts	38%	$231	4,128
26	Oklahoma	37%	$100	4,689

Appendix 1: (cont.)				
SINGLE-ADULT WORKING HOUSEHOLDS WITH YOUNG CHILDREN CLAIMING THE DEPENDENT CARE DEDUCTION, FISCAL YEAR 2008*				
Rank	State	% Claiming	Average Deduction	Number Claiming
27	Arizona	35%	$202	4,206
28	Arkansas	35%	$232	3,737
29	Maryland	34%	$201	5,185
30	Colorado	33%	$151	2,912
31	Pennsylvania	31%	$130	7,222
32	New Hampshire**	28%	$207	435
33	Kansas	28%	$66	1,730
34	Montana**	27%	$83	540
35	Nevada	27%	$273	1,031
36	New York**	24%	$198	8,440
37	Tennessee**	23%	$205	3,248
38	South Dakota	23%	$168	605
39	Nebraska	21%	$157	1,170
40	Michigan	21%	$195	6,511
41	Minnesota	20%	$100	1,607
42	Iowa	18%	$126	1,134
43	Kentucky**	17%	$146	1,887
44	Rhode Island**	16%	$119	178
45	West Virginia**	16%	$80	730
46	New Jersey	15%	$231	1,583
47	Indiana	12%	$207	2,150
48	Wisconsin	10%	$150	1,962
49	California**	10%	$192	2,418
50	District of Columbia**	6%	$50	34
51	Hawaii**	6%	$209	106
	United States***	37%	$167	277,944

Source: Food Stamp Program QC (Quality Control) data for fiscal year 2008.
*Non-SSI-cap, non-TANF households.
**Unweighted sample size in fiscal year 2008 is fewer than 40 households. Table reports average from fiscal years 2008, 2007, and 2006.
***Unadjusted value.

II: State Food Stamp Policy Manuals

The following table provides links to state food stamp policy manuals when available online. Language from state policy manuals cited in this paper was obtained from the online policy manuals referenced below.

Appendix 2: STATE FOOD STAMP POLICY MANUAL LINKS	
State	Link to State Food Stamp Policy Manual or State Food Stamps Office Informational Website
Alabama	Not available online.
Alaska	http://dpaweb.hss.state.ak.us/main/manual/FSP/602_4deductions.pdf
Arizona	https://www.azdes.gov/faa/Policy/Default.html
Arkansas	http://www.arkansas.gov/dhhs/webpolicy/FSC_TOC.htm
California	http://www.cdss.ca.gov/ord/PG303.htm
Colorado	http://stateboard.cdhs.state.co.us:8008/CDHS/rule_display$.DisplayVolume?p_vol_num=4
Connecticut	Not available online.
Delaware	Not available online (but may be obtained on CD from state agency).
District of Columbia	http://dhs.dc.gov/dhs/cwp/view,a,1345,q,605244,dhsNav_GID,1728,.asp
Florida	http://www.dcf.state.fl.us/publications/esspolicymanual/
Georgia	Not available online.
Hawaii	http://www.hawaii.gov/dhs/main/har/har_current/AdminRules/document_view
Idaho	http://www.healthandwelfare.idaho.gov/Portals/_Rainbow/Manuals/FS/FS_Handbook.htm
Illinois	http://www.dhs.state.il.us/page.aspx?Item=13473
Indiana	http://www.state.in.us/fssa/files/1200_chg_AV.pdf
Iowa	http://www.dhs.state.ia.us/policyanalysis/PolicyManualPages/Manual_Documents/Rules/441-65.pdf
Kansas	http://www.srskansas.org/KEESM/KEESM.htm
Kentucky	http://74.125.93.132/search?q=cache:IVhC9trt2NsJ:manuals.chfs.ky.gov/dcbs_manuals/DFS/volii/voliims5450.doc+kentucky+food+stamp+ms+5450+dependent+care+deduction&cd=1&hl=en&ct=clnk&gl=us
Louisiana	http://stellent.dss.state.la.us/LADSS/getContent?id=71670&rendition=Web&mimeType=application/pdf&noSaveAs=true
Maine	http://www.maine.gov/sos/cec/rules/10/ch301.htm
Maryland	http://www.dhr.state.md.us/stamp/manual/index.htm
Massachusetts	http://www.mass.gov/?pageID=eohhs2terminal&L=4&L0=Home&L1=Government&L2=Laws,+Regulations+and+Policies&L3=Department+of+Transitional+Assistance+Regulations+and+Legal+Notices&sid=Eeohhs2&b=terminalcontent&f=dta_g_106cmr_309_367&csid=Eeohhs2
Michigan	http://www.mfia.state.mi.us/olmweb/ex/html/
Minnesota	http://www.dhs.state.mn.us/main/groups/county_access/documents/pub/dhs16_147629.pdf
Mississippi	Not available online.
Missouri	http://www.dss.mo.gov/fsd/iman/fstamps/1115-035-10.html

Appendix 2: (cont.) STATE FOOD STAMP POLICY MANUAL LINKS	
State	Link to State Food Stamp Policy Manual or State Food Stamps Office Informational Website
Montana	http://www.dphhs.mt.gov/hcsd/fsmanual/index.shtml
Nebraska	http://www.hhs.state.ne.us/reg/t475.htm
Nevada	https://dwss.nv.gov/index.php?option=com_docman&task=cat_view&gid=63&Itemid=287
New Jersey	Not available online.
New Mexico	http://www.hsd.state.nm.us/isd/policies/fs.html
New York	http://www.otda.state.ny.us/main/foodstamps/
North Carolina	http://info.dhhs.state.nc.us/olm/manuals/manuals.aspx?dc=dss
North Dakota	http://www.state.nd.us/robo/projects/foodstamp/foodstamp.htm
Ohio	http://emanuals.odjfs.state.oh.us/emanuals/GetDocument.do?nodeId=%23node-id%2833%29&docId=Document%28storage%3DREPOSITORY%2CdocID%3D%23node-id%28488910%29%29&locSource=input&docLoc=%24REP_ROOT%24%23node-id%28488910%29&version=8.0.0
Oklahoma	http://www.okdhs.org/library/policy/oac340/050/
Oregon	http://dhsmanuals.hr.state.or.us/EligManual/FMPRO?-db=ELGMANL.fp5&-token=&-format=EMnlFrame.htm&Page+ID=06-TOC&Chapter=Food+Stamp+Program&Section=Table+Of+Contents&Revision=Release+45:+04/01/07&-find
Pennsylvania	http://www.dpw.state.pa.us/oimpolicymanuals/manuals/bop/fs/Table%20of%20Contents.htm
Rhode Island	http://www.ridhscode.org/1000.htm
South Carolina	Not available online.
South Dakota	http://dss.sd.gov/foodstamps/FSManual/index.htm#html/introduction_sdfscm.htm
Tennessee	http://www.state.tn.us/sos/rules/1240/1240-01/1240-01.htm
Texas	http://www.dads.state.tx.us/handbooks/TexasWorks/
Utah	Not available online.
Vermont	Not available online.
Virginia	http://dssiad.dss.state.va.us/FoodStampManual/pageview.html
Washington	http://www.dshs.wa.gov/manuals/eaz/
West Virginia	http://www.wvdhhr.org/bcf/policy/imm/new_manual/default.asp
Wisconsin	http://www.emhandbooks.wi.gov/fsh/
Wyoming	http://www.thresholdcomputer.net/dfs/training.htm

III: Sample Outreach Materials

Sample outreach materials developed by the Massachusetts Law Reform Institute for the Massachusetts Food Stamp Program. See http://www.masslegalservices.org/node/27148.

SAMPLE 1

Q&A

Know Your Rights in Massachusetts

For more help contact your local legal services program or visit: www.masslegalservices.org

More Food Stamp/SNAP Benefits for Families with Child Care Expenses

For all low-income families:

- If you pay expenses for the care of **any child under 18 or disabled adult**, your family can receive increased food stamp/SNAP benefits!
- Every **$3** you spend on childcare may increase your Food Stamp/SNAP benefits by **$1** – up to the maximum food stamp amount!
- You can claim any dependent care costs you incur because
  - You are working, or are looking for a job
  - You are attending school or work-related training
  - You are doing volunteer work or another activity required by the Food Stamp/SN Employment/Training Program

Q. What can you claim as expenses?

Child or Adult Care…	All payments you are responsible for, including co-payments, for a child or disabled adult
Out-of-School Activities for any child under 18…	Any supervised activity, including before and after school, school vacation, summer camps, YMCA, and Boys/Girls Club fees
Mileage (at 55 cents per mile)…	If you drive your child to/from the child care, or camp or school program
Public Transportation Costs…	If you or your child takes a bus, subway, or train to/from the child care, or camp or school program

Q. Is there a limit or cap on the expenses I can claim?

- **NO.** You can **claim the full amount** of costs you pay.

*For example: A mother with two children who earns $1800/month before taxes and pays $600 unheated rent will get **$274** in Food stamps. If she pays $300/month in child care and related travel, her food stamps will go up to **$364/month**.*

Q. How do I claim child care expenses?

- You can **self declare** these expenses. You can write it on your application or recertification form, or give your DTA worker a signed statement. DTA should ask for proofs *only if* the information you provide is questionable. .A sample form is found on the back of this sheet.

January 2010

Mass Law Reform Institute

SAMPLE 2

Statement of Child Care Costs for Food Stamp/SNAP Benefits

Children in child care

1. _____ _____ 2. _____ _____
Name Age Name Age

3. _____ _____ 4. _____ _____
Name Age Name Age

(List additional children in care on another paper.)

My child care costs: (This includes direct care, co-pays, camps, other payments for care)

(Please mark one)

I pay $ _____/day *OR* $ _____/week

My transportation costs: (This includes travel to and from the child care, camp, or school programs)

1. By car *(DTA allows $.55 cents per mile if you use your car)*

I drive _____ miles round trip, for _____ days per week

2. By public transportation
(Please mark one)

I pay $ _____/day *OR* $_____/ week

► COMPLETE THIS BOX:

My name: _____ SSN: _____
Address: _____ Phone: _____
_____

Signature: _____ Date: _____

If you have child care expenses because of work, training, or job search, tell DTA. Your monthly Food Stamp benefits may increase because of these costs. You can use this form to notify your DTA worker. Be sure to note child care costs whenever you apply or your case is reviewed.

January 2010 **Mass Law Reform Institute**