

Abstract: Among the many great challenges of parenthood is what to do with the kids when school lets out. If one chooses to send a child to day camp, he or she may qualify for a valuable tax break: the child and dependent care credit. This article explains why tax credits are so valuable and how eligibility for this one is determined.

Send your kids to day camp and you may get a tax break

Among the many great challenges of parenthood is what to do with your kids when school lets out. Do you keep them at home and try to captivate their attention yourself or with the help of sitters? Or do you send them off to the wide variety of day camps now in operation? There's no one-size-fits-all answer, but if you choose the latter option, you might qualify for a tax break!

Dollar-for-dollar savings

Day camp — but, to be clear, not overnight camp — is a qualified expense under the child and dependent care tax credit, which is worth 20% of qualifying expenses (more if your adjusted gross income is less than \$43,000), subject to a cap. For 2019, the maximum expenses allowed for the credit are \$3,000 for one qualifying child and \$6,000 for two or more.

Remember that tax credits are particularly valuable because they reduce your tax liability dollar-for-dollar — \$1 of tax credit saves you \$1 of taxes. This differs from deductions, which simply reduce the amount of income subject to tax. For example, if you're in the 24% tax bracket, \$1 of deduction saves you only \$0.24 of taxes. So, it's important to take maximum advantage of the tax credits available to you.

Qualifying for the credit

A qualifying child is generally a dependent under age 13. (There's no age limit if the dependent child is unable physically or mentally to care for him- or herself.) Special rules apply if the child's parents are divorced or separated or if the parents live apart.

Eligible costs for care must be work-related. This means that the child care is needed so that you can work or, if you're currently unemployed, look for work.

If you participate in an employer-sponsored child and dependent care Flexible Spending Account (FSA), also sometimes referred to as a Dependent Care Assistance Program, you can't use expenses paid from or reimbursed by the FSA to claim the credit.

Determining eligibility

Additional rules apply to the child and dependent care credit. If you're not sure whether you're eligible, contact us. We can assist you in determining your eligibility for this credit and other tax breaks for parents.