

Do Not Overlook the Child Care Tax Credit This Summer!

Brand new moms and dads and parents returning to school or work are reminded that they may be eligible for a valuable tax credit to help pay for expensive summer child care. While the tax credit is good for year-around child care expenses, it is especially important when school is out and full-time care is required. Here is what you need to know.

To qualify for the credit, both parents must be working or actively looking for work. In addition, a parent can be a full-time student. Depending on your income, you can deduct up to 35% of your out-of-pocket expenses, based on a maximum expense of \$3,000 for one child, \$6,000 for two or more. Qualifying children are those under age 13 who live with you and can be claimed as your dependent. Care for a dependent live-in adult or spouse who is not capable of self-care may also be eligible for this credit.

You might be pleased to know the credit is the same whether the care is at a daycare facility or in your home. Summer day camp expenses also meet the test as long as the camp is not overnight. Keep in mind that tutoring expenses and payments made to older dependent children to care for a younger sibling do not qualify.

Be sure to keep all payment receipts for your tax return, including the name, address, and social security or federal identification number of the care provider. This information must be reported on your tax return to claim the credit. If your employer pays for part of the cost of your child care expenses you will need to deduct that amount from your eligible expenses.

For more guidance on how to maximize the child care tax credit and other tax benefits, give our office a call.

Minimizing tax liability is a year-round, not a year-end process. We provide tax planning tailored to the unique circumstances and future plans of individuals and businesses.