

GOODMAN & COMPANY

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Five Tax Facts about Summertime Child Care Expenses

Many parents who work or are looking for work must arrange for care of their children under 13 years of age during the school vacation. Here are five facts the Internal Revenue Service (IRS) wants you to know about a tax credit available for child care expenses. The Child and Dependent Care Credit is available for expenses incurred during the lazy hazy days of summer and throughout the rest of the year.

1. The cost of day camp can count as an expense towards the child and dependent care credit.
2. Expenses for overnight camps do not qualify. A recent candidate for the President's cabinet tried to claim that expense on his income tax return and was chastised.
3. If your childcare provider is a sitter at your home or a daycare facility outside the home, you will get some tax benefit if you qualify for the credit.
4. The actual credit can be up to 35 percent of your qualifying expenses, depending upon your income and tax bracket.
5. You may use up to \$3,000 of the unreimbursed expenses paid in a year for one qualifying individual or \$6,000 for two or more qualifying individuals to figure the credit.

A deductible expense reduces taxable income subject to income tax. A tax credit reduces the tax dollar for dollar. For example, if you are in the 35% Federal income tax bracket, a \$1,000 expense saves \$350 in income tax. Whereas, a \$1,000 tax credit saves you \$1,000 in income tax!

If you would like more information and advice about these and other tax credits, please call Goodman & Company, CPAs, **610-253-2745**.

Bill

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William N. Goodman, CPA
Certified Public Accountant