

Deducting Summer Camps and Daycare with the Child and Dependent Care Credit

Updated for Tax Year 2015

OVERVIEW

If you paid a daycare center, babysitter, summer camp, or other care provider to care for a qualifying child under age 13 or a disabled dependent of any age, you may qualify for a tax credit of up to 35 percent of qualifying expenses of \$3,000 for one child or dependent, or up to \$6,000 for two or more children or dependents.

The child and dependent care credit provides a tax break for many parents who are responsible for the cost of childcare. Though the credit is geared toward working parents or guardians, taxpayers who were full-time students or who were unemployed for part of the year may also qualify.

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Purpose of the child and dependent care credit

The child and dependent care credit is designed to assist working parents and guardians with some of the expenses involved in raising a child or caring for a disabled dependent. The credit, which varies depending on the taxpayer's earned income, is based on the expenses paid to provide child or dependent care services so that parents can work. It reduces the amount of federal income taxes due, which can in turn increase your refund. This frees up more money for some of the other expenses involved in raising a child.

Qualifications for the child and dependent care credit

You must meet several criteria to qualify for the child and dependent care credit. To qualify, you must meet all of the following:

- You (and your spouse, if you are married filing jointly) must have earned income for the tax year.
- You must be the custodial parent or main caretaker of the child or dependent.
- The child or dependent care service must have been used so that you could work or look for

employment.

- Your filing status must be single, head of household, qualifying widow or widower with a dependent child, or married filing jointly.
- Your child or dependent must be under 13 or must be disabled and physically or mentally incapable of caring for herself.
- The childcare provider cannot be your spouse or dependent or the child's parent.

Qualifying expenses for the child and dependent care credit

You may be aware that daycare fees qualify for the child and dependent care credit, but the IRS actually considers much more than just the cost of daycare for this credit. Qualifying expenses also include childcare provided by a babysitter or licensed dependent care center and the cost of a cook, housekeeper, maid, or cleaning person who provides care for the child or dependent.

Day camp or summer camp fees, even for camps centered around a sport or activity, qualify if the camp was selected to provide care while the parent or parents were at work. However, overnight camps do not qualify. Additional qualifying expenses include costs related to before- and after-school care for children under 13 and expenses related to a nurse, home care provider, or other care provider for a disabled dependent.

Keep in mind that expenses related to schooling, tutoring, or overnight camps are not qualifying expenses.

Special circumstances

Since every family is different, the IRS has a series of exceptions to the rules in the qualification process. These exceptions allow a greater number of families to take advantage of the credit.

- For divorced or separated parents, the custodial parent (the parent with whom the child resides for the most nights out of the year) can claim the credit even if the other parent has the right to claim the child as a dependent due to the divorce or separation agreement.
- You can take the credit for the care of a disabled adult even if you cannot claim her as a dependent because she has too much gross income or because you or your spouse can be claimed as a dependent by someone else.
- If your spouse is a disabled adult, the IRS waives the requirement for him to have earned income.
- If your spouse was a full-time student who attended college for at least five months out of the tax year, the IRS considers her to have earned income for each month that she was a full-time student.

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