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

**Sending the kids to day camp may bring a tax break**

Among the many challenges of parenthood is what to do with your kids when school lets out. Babysitters are one option, or you might consider sending them to a day camp. There’s no one-size-fits-all answer, but if you do choose a day camp, you could be eligible for a tax break. (Note: Overnight camps don’t qualify.)

**Dollar-for-dollar savings**

Day camp can be a qualified expense under the child and dependent care tax credit. The credit is worth 20% to 35% of the qualifying costs, subject to an income cap. As of this writing, the maximum credit for 2022 is expected to revert to the 2020 level of $2,100 for one child. This is much lower than for 2021, when the credit was temporarily expanded due to COVID-19.

Tax credits are particularly valuable because they reduce your tax liability dollar-for-dollar — $1 of tax credit saves $1 of taxes. Deductions simply reduce the amount of income subject to tax. So, if you’re in the 24% tax bracket, $1 of deduction saves you only $0.24 of taxes.

**Qualifying for the credit**

Only dependents under age 13 generally qualify. Eligible care costs are those incurred while you work or look for work.

Expenses paid from or reimbursed by an employer-sponsored Flexible Spending Account can’t be used to claim the credit. The same is true for a Dependent Care Assistance Program.

**Determining eligibility**

Additional rules apply to this credit. Contact us if you have questions about your eligibility for the credit and the exceptions.

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