**Abstract:** Among the many challenges of parenthood is what to do with the kids when school lets out. Parents who choose to send their children to day camp may qualify for a valuable tax break: the child and dependent care credit. This article explains why tax credits are so beneficial 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. (Unfortunately, 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 amount of expenses that can be claimed is $3,000 for one qualifying child or $6,000 for two or more children, multiplied by the percentage that applies to your income level. For those qualifying for the 35% rate with maximum expenses of $3,000, the credit equals $1,050, or $2,100 for two children with expenses of at least $6,000. The applicable credit percentage to use drops as your adjusted gross income (AGI) rises. When AGI exceeds $43,000, the percentage is 20% of qualified expenses, subject to the $3,000 or $6,000 limit.

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

**Qualifying for the credit**

Only dependents under age 13 generally qualify. However, the credit may also be claimed for expenses paid to care for a dependent relative, such as an in-law or parent, who is incapable of self-care. 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.