

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.