

Tax Tidbit #4: How to Let the IRS Pay for Your Kids' Summer Camp

By Wayne M. Davies

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<http://www.YouSaveOnTaxes.com/toolkit.html>

Tax Tidbits:
Presented by Wayne M. Davies of www.YouSaveOnTaxes.com .

Short but sweet tax nuggets for the Small Biz Owner and/or Self-Employed Person, each morsel serving up a specific tax reduction strategy guaranteed to tickle your monetary taste-buds.

The U.S. Tax Code is so big, there's only one way to digest it: one little nibble at a time.

Just like a piece of candy, one small bite of tax knowledge can give you one very delicious deduction!

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With summer day-camp season upon us, here's a way to let Uncle Sam pick up the tab for your children's fun.

Many parents take advantage of the child daycare credit. Well, this same credit can also be used for summer day-camp expenses.

The child-care credit applies to expenses you incur for the care of children under age 13 while the parents are working. And "working" applies to both an employee job as well as self-employment.

Sending your child to a day-camp during the summer counts as a qualified expense for purposes of the child-care credit.

And by "day-camp", don't limit yourself to the traditional YMCA-type scenario. There are plenty of other programs that qualify, such as:

1. Sports camps: Soccer camp, baseball camp, basketball camp, football camp, volleyball. These all count.
2. Academic camps like computer camp or other scholarly pursuits.
3. Fine arts camps for music, drama, and art.

Kids (and parents!) sure have a lot of choices these days.

The key requirement for getting the day-care credit is that the camp not be a sleep-over camp. The child must only spend time there during the day.

You take the credit on Form 2441, Child and Dependent Care Expenses. The amount of your credit depends on your income. Take a peak at Form 2441 to calculate your credit:

First, find your adjusted gross income from Line 36 of Form 1040. If your income is greater than \$28,000, your credit is likely to be 20% of the day-camp expense.

(If your income is less than \$28,000, the percentage is greater than 20% -- so be sure to check Form 2441 if you happen to be at that income level).

Next, you multiply the day-camp expense by 20%, and that's the potential tax credit amount. I say "potential" because there's one more step to complete the calculation -- if your income is greater than \$28,000, your maximum childcare credit is \$480 if you have one child and \$960 if you have two or more children with daycare expenses.

So, if you have \$1,000 of day-camp expense this summer, you get a \$200 tax credit on your personal income tax return.

Two-hundred bucks . . . now there's a tasty little morsel!

To access Form 2441, visit:

<http://www.irs.gov/pub/irs-pdf/f2441.pdf>

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