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CHILD CARE EXPENSES
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Children's daycare can be expensive. However, with proper planning these costs can be mitigated by reducing your income tax liability. Tax breaks can take the form of a credit against tax liability or a reduction in taxable income earned throughout the year.

Child care tax credits provide taxpayers a credit when they file their annual tax return. The credit is determined as a percentage of qualified expenses. The credit is generally reduced as adjusted income of the taxpayer increases. Alternatively, dependent care savings accounts allow for taxpayers to make contributions from their wages into a qualifying account throughout the year. Funds in the account are then used to reimburse taxpayers for qualifying childcare expenses. These accounts are oftentimes offered through an employer.

If you consider taking advantage of either one of these tax breaks, it's important to be aware of the many restrictions which could apply. For example, in addition to several caps on amounts paid, qualified expenses claimed for a tax credit must be reduced for funds used from a dependent care savings account. Further, there are certain requirements which must be met for the person receiving the care, the person paying for the care and the person providing the care.

If you have questions about this or any other business or tax issue, please contact hour Account Manager or Brian Ostendorf, CPA at (314) 205-2510 or by email at bostendorf@connerash.com.