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**PRODUCT & SERVICE GUIDE**

# Back-to-School is a Good Reason for Accounting Firms to Check-In with Clients

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# Tax Deductions

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## **Child Care and School Expenses**

Commonly referred to as the Child Care Credit, the Child and Dependent Care Tax Credit is available to working parents who pay qualifying childcare costs for their dependent children under the age of thirteen. (The age limit does not apply for permanently and totally disabled children.) Divorced or separated custodial parents are allowed to claim the credit even if they give up the dependency exemption to their ex-spouse, and a partial deduction may be claimed for the year of the child's thirteenth birthday. The credit is also available to parents who are looking for work or are full-time students.

## **Summer Day Camp vs. Summer School**

Summer Day Camp program expenses for children under the age of thirteen may qualify working parents for the Child and Dependent Care Credit, but summer school

expenses are not considered “care” and are therefore not eligible for the credit.

### **After School Programs vs. Tutoring**

Certain after school programs for children who are under thirteen at the time of attendance may be considered child “care,” while tutoring program expenses are not eligible for the credit or otherwise deductible. The eligibility of an after-school program that includes *some* tutoring would need to be determined based on all of the facts and circumstances.

### **Preschool vs. Secondary School Tuition**

School tuition for kindergarten or a higher grade is not deductible or eligible for the Child and Dependent Care Credit. On the other hand, expenses for preschool and nursery school are considered to be “care” and are eligible for the credit.

### **After-School Expenses, Fundraisers and Donations**

If you have clients with small children it is likely that they are constantly being asked to contribute to or pay for items for school programs. Either it’s a uniform they need to buy or a fundraiser for the school, or supplies for a class or club. Some of these expenses are deductible as a charitable contribution, while others are not. Here are some examples:

#### **School Uniforms vs. Sports Team Uniforms**

School uniforms are not deductible, but there may be certain situations in which the expense of a number of uniforms purchased on behalf of the entire school’s sports team could qualify your client for a charitable donation. While your client’s own child’s team uniform would not be deductible, a donation made to the school to pay for uniforms for all of the team members could qualify you for a charitable contribution.

#### **Fundraiser Fun vs. Funds Donated**

If your client attends a school fundraiser and receives a dinner or other goods in return for funds donated, it’s a good idea to remind them that the fair market value of the goods or services they receive has to be subtracted from the total and should not be included in the amount they deduct on their tax returns. That deductible amount would be allowed as a charitable contribution.

While at first glance it might seem simple to figure out which school expenses are deductible, they can be challenging to categorize. Educating your clients about these issues during back to school season could save your clients time and money. Your informed clients will know which receipts to save, and this knowledge will help them in their decision-making when the fundraisers come knocking.

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