



Parents Can Get Credit for Sending Kids to Day Camp

IRS Summertime Tax Tip 2008-04

Here's a tax break for the busy summer. Many working parents must arrange for care of their children under 13 years of age during the school vacation period. A popular solution — with a tax benefit — is a day camp program.

The cost of day camp can count as an expense towards the child and dependent care credit. Expenses for overnight camps do not qualify. If your childcare provider is a sitter at your home or a daycare facility outside the home, you'll get some tax benefit if you qualify for the credit.

The credit is generally 20% to 35% of non-reimbursed expenses; up to \$3000 in expenses for one child and up to \$6000 for two or more children. The actual credit is also based on your income. The 35% rate applies if your income is under \$15,000; the 20% rate, if your income is over \$43,000.

For more information, check out IRS Publication 503, Child and Dependent Care Expenses available on the IRS Web site, IRS.gov or by calling 800-TAX-FORM (800-829-3676).

Remember that for the genuine IRS Web site be sure to use .gov. Don't be confused by internet sites that end in .com, .net, .org or other designations instead of .gov. The address of the official IRS governmental Web site is www.irs.gov.

Link:

- [IRS Publication 503, Child and Dependent Care Expenses \(PDF\)](#)

[Subscribe to IRS Tax Tips](#)



Mortgage Workouts, Tax-Free for Many Homeowners

IRS Summertime Tax Tip 2008-06

There is now tax relief for struggling homeowners. If your mortgage debt is partly or entirely forgiven during 2007, 2008 or 2009 you may be able to claim special tax relief by filling out Form 982 and attaching it to your federal income tax return for that year.

Normally, debt forgiveness results in taxable income. But under the Mortgage Forgiveness Debt Relief Act of 2007, you may be able to exclude from tax up to \$2 million of debt forgiven on your principal residence. The limit is \$1 million for a married person filing a separate return.

Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure, may qualify for this relief. The debt must have been used to buy, build or substantially improve your principal residence and must have been secured by that residence. Debt used to refinance qualifying debt is also eligible for the exclusion, but only up to the amount of the old mortgage principal, just before the refinancing.

Debt forgiven on second homes, rental property, business property, credit cards or car loans does not qualify for the new tax-relief provision. In some cases, however, other kinds of tax relief, based on insolvency, for example, may be available. See Form 982 for details.

If your debt is reduced or eliminated you will receive a year-end statement (Form 1099-C) from your lender. By law, this form must show the amount of debt forgiven and the fair market value of any property given up through foreclosure.

The IRS urges borrowers to check the Form 1099-C carefully. Notify the lender immediately if any of the information shown is incorrect. You should pay particular attention to the amount of debt forgiven (Box 2) and the value listed for your home (Box 7).

For more information about the Mortgage Forgiveness Debt Relief Act of 2007, visit the IRS Web site at IRS.gov. A good resource is IRS Publication 4681, Canceled Debts, Foreclosures, Repossessions and Abandonments. This publication and Form 982 can be downloaded from IRS.gov or by calling 800-TAX-FORM (800-829-3676).

Remember that for the genuine IRS Web site be sure to use .gov. Don't be confused by internet sites that end in .com, .net, .org or other designations instead of .gov. The address of the official IRS governmental Web site is www.irs.gov.

Links:

- [IRS Publication 4681, Canceled Debts, Foreclosures, Repossessions and Abandonments \(PDF\)](#)
- [Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness \(PDF\)](#)

[Subscribe to IRS Tax Tips](#)