THE SMALLBIZ BUILDER
Planning For Your Dreams

PADGETT BUSINESS SERVICES

June 2017 | PADGETT BUSINESS SERVICES® | Vol. 15, No. 6

This Month:

- Summertime Child Care Expenses May Qualify for a Tax Credit
- Deducting Casualty Losses
- Alert to Parents Who Hire Their Children

Summertime Child Care Expenses May Qualify for a Tax Credit

The Child and Dependent Care Credit is available for expenses incurred during the lazy hazy days of summer and throughout the rest of the year. Here are seven facts the IRS wants you to know about a tax credit available for child care expenses.

1. Applicable for care of dependents under the age of 13 (some exceptions apply)
2. The expenses must be paid so that both you and your spouse (if married) can work or look for work.
3. Day camp costs may count as an expense towards the child and dependent care credit.
4. Expenses for overnight camps don’t qualify.
5. 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.
6. The actual credit can be up to 35 percent of your qualifying expenses, depending upon your income.
7. When figuring the credit, you may use up to $3,000 of the unreimbursed expenses paid in a year for one qualifying individual or $6,000 for two or more qualifying individuals.

For more information on Child and Dependent Care Expenses, contact us today.

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Deducting Casualty Losses

Casualty losses can occur when there's damage or destruction of your property caused by a sudden or unexpected event or natural disaster, such as theft, tornado, fire, hurricane, flood, or earthquake. The good news in what's normally a bad situation is that in most cases, these losses are deductible.

Individuals deduct the losses as an itemized deduction. If your property is insured, you can't take a deduction unless you timely submit a claim to your insurance provider. Rules for calculating the loss can be tricky, and differ based on the type of property and extent of destruction. In general:

- **For personal-use property and for property not completely destroyed**, your loss is limited to the lesser of your adjusted basis in the property on the date of the casualty or its decrease in value as a result of the casualty, less any insurance reimbursement received or expected to be received.
- **For completely destroyed business or income-producing property**, including rental property, your casualty loss is equal to your adjusted basis in the property, less any insurance reimbursement received or expected to be received.
- **For personal-use property**, in addition to the limitations above, the first $100 of each incident of casualty loss is not deductible. The remaining amount of casualty loss is further reduced by 10% of your adjusted gross income.

Taxpayers in Presidentially Declared Disaster Areas have a choice of tax years for deducting related disaster losses – either the tax year in which the disaster occurs, or the immediately preceding tax year.

Each choice has its pros and cons and will vary based on your particular situation, so it's important to get some help before you decide. Claiming the disaster loss for the year before the loss occurred saves taxes immediately, without the need to wait until the year after the loss occurred. On the other hand, taking the deduction in the year of loss may save taxes if you're in a higher bracket that year. Lots to consider!

Alert to Parents Who Hire Their Children

The Social Security Administration (SSA) may question the validity of wages if the recipient is on record as a young child. Unless you can provide acceptable detail such as date of birth and job responsibilities, your child may not be given credit for the correct amount of wages.

In fact, the information obtained may be given to the IRS or the Department of Justice for investigating and prosecuting violations of the Social Security Act. Matching programs compare the SSA's records with those of other Federal, State, and local agencies, which are often used to find or prove that a person qualifies for benefits paid by the Federal government.

Rule of thumb: Put your child on the payroll only if there is a legitimate job offering with responsibilities that are within the child's capability…and then, make sure that your child does the work!

For more information, visit: www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Family-Help

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