

June 2023

In This Issue

- Make Your Child's Summer Break a Tax Break!
- Get More Money for School by Understanding These Scholarship Myths
- Illinois Mandatory Paid Leave Coming in 2024
- Extension Reminder

Make Your Child's Summer Break a Tax Break!

As a busy working parent, you may be on the lookout for activities that are available for your kids this summer. There may be a solution that's also a tax break: Summer camp! Using the Child and Dependent Care Credit, you can be reimbursed for part of the cost of enrolling your child in a day camp

Am I eligible?

1. You, and your spouse if you are married, must both be working.
2. Your child must be under age 13, your legal dependent, and live in your residence for more than half the year.

Tip: If your spouse doesn't work but is either a full-time student, or is disabled and incapable of self-care, you can still qualify for the credit.

How much can I save?

For 2023, you can claim a maximum credit of \$1,050 on up to \$3,000 in expenses for one child, or \$2,100 on up to \$6,000 in expenses for two or more children.

What kind of camps?

The only rule is: *no overnight camps*.

The credit is designed to help working people care for their kids during the work day, so summer camps where kids stay overnight aren't eligible for this credit.

Other than that, it doesn't matter what kind of camp: soccer camp, chess camp, summer school or even day care. All of these are eligible expenses for this credit.

Other ways to use this credit

While summer day camp costs are a common way to use this credit, any cost to provide care for your children while you are working may be eligible.

For example, you can use this credit to pay a qualified day care center, a housekeeper or a babysitter to take care of your child while you are working. You can even pay a relative to care for your child and claim the credit for that expense, as long as the relative isn't your dependent, minor child or spouse. Keep in mind that you will need the name, address, and Social Security number or FEIN number of the provider to receive the credit.

This is just one of many possible tax breaks related to children and dependents. Please call if you have questions about this credit, or if you'd like to discuss any other tax savings ideas.

Get More Money for School by Understanding These Scholarship Myths

There's plenty of money available for you to pursue a post-secondary education for either you or your child! Here are several myths that could be getting in the way of securing money to pay for school.

Common misconceptions:

- **Scholarships are only for top scholars and athletes.** Many news stories are about high-profile students who snag a fully-paid-for scholarship. There are an unbelievable number of scholarships, however, that do not take grades or athletic ability into consideration.
- **Scholarships are only for students attending college.** Enrollment in vocational and trade schools has nearly doubled since 2000, according to the National Center for Education Statistics. And the good news for prospective students is that scholarships for vocational and trade schools are just as plentiful as scholarships for four-year colleges and universities.
- **You have to be a great writer.** Winning scholarships is more often about what you write than how you write. And for some scholarships, following the application's directions and answering the questions that are asked is more important than how well you write.
- **You have to be a high school student.** Scholarships aren't just for soon-to-be high school graduates. Many schools have degree programs – and corresponding scholarships – aimed at older adults who are looking to learn new skills or make a transition in their career. Scholarships are also available for graduate students.
- **Finding scholarships takes too much time.** Yes, you'll need to invest a certain amount of time to find and apply for scholarships, but finding financial aid may not require as much of a time investment as you may think with tons of available online tools.

What to do:

- **Follow the directions!** You'd be surprised how many applicants don't read or follow the rules of the scholarships. Take the time to read through all instructions, and thoughtfully answer the questions that are asked.

- **Apply every year by January.** For every year that you're attending a post-secondary school, consider setting aside some time in the fall and early winter to complete scholarship applications for the upcoming school year. Many applications need to be completed by January for the following school year.
- **Ask your school.** Nearly every college in the U.S. offers some form of merit-based financial aid. You'll likely need to complete the Free Application for Federal Student Aid (FAFSA), as many colleges have all students apply for scholarships by completing the FAFSA. This includes students who may qualify for only merit-based scholarships.
- **Ask local businesses.** Many local businesses, civic groups, foundations, and religious or community organizations offer scholarships. So ask around in your community about available financial aid.

The early bird often gets the worm, but the bird that does not go looking for one will never get one!

Illinois Mandatory Paid Leave Coming in 2024

Beginning January 1, 2024, employees in Illinois will accrue Paid Leave, which they'll be able to use for any purpose. Here are the highlights of this new law.

Applicability:

The new law applies to employers of all sizes and almost all employees are covered, with limited exceptions. Employers are exempt if they're required to provide paid sick leave under the sick leave laws in Chicago or Cook County.

Accrual and Carryover:

Employees will accrue Paid Leave at a rate of one hour of Paid Leave for every 40 hours worked. Employers can calculate exempt employee accrual based on a 40-hour workweek (even if the employee generally works more than that) or they can use their normal workweek if they regularly work less than 40 hours.

Employers can cap accrual at 40 hours per year. Unused Paid Leave must be carried over from year to year, except as noted below.

Frontloading:

Instead of using an hour-by-hour accrual system, employers can frontload an employee's Paid Leave bank with 40 hours at the beginning of each year, in which case they don't need to allow carryover of unused Paid Leave.

Use:

Employees can begin to use their Paid Leave on March 31, 2024, or after 90 days of employment, whichever is later. Employers may cap use of leave at 40 hours per year.

Employees may use Paid Leave for any reason. Employers cannot require documentation to support an employee's request for Paid Leave.

Employees are entitled to determine how much Paid Leave to use, though employers can require them to use their Paid Leave in minimum increments of two hours, or their entire workday, if shorter than two hours.

Notice:

Employers are required to provide employees with notice about their Paid Leave rights by displaying a poster at each worksite and providing individual notice to each employee. Employers that have a handbook or policy manual must include it there as well. The Illinois Department of Labor (IDOL) will create the required notice.

Employers can require employees to provide seven days' notice for foreseeable leave and as much notice as is practicable for unforeseeable leave.

Payout:

Employers aren't required to pay out unused Paid Leave when an employee quits or is terminated. Employees who are rehired within 12 months of separation must have their unused Paid Leave restored.

Existing Policies:

Employers can use their existing vacation or paid time off policy to fulfill their obligations under the new Paid Leave law, as long as it offers equal or better benefits. In that case, however, unused vacation or paid time off must be paid out when an employee separates from employment (as required for vacation and paid time off under state law).

Extension Reminder

For those of you on extension for 2022, please send us your missing information as soon as possible. We want to complete your returns and provide you with accurate estimated tax information for 2023.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

This publication provides summary information regarding the subject matter at time of publishing. Please call with any questions on how this information may impact your situation. This material may not be published, rewritten or redistributed without permission, except as noted here. This publication includes, or may include, links to third party internet web sites controlled and maintained by others. When accessing these links the user leaves this newsletter. These links are included solely for the convenience of users and their presence does not constitute any endorsement of the Websites linked or referred to nor does COLEMAN & ASSOCIATES CPAs LTD have any control over, or responsibility for, the content of any such Websites. All rights reserved.