

# DEPENDENT CARE SPENDING ACCOUNT

## Questions and Answers

*Do you have dependent care expenses? Would you like to save money on taxes? If you answered yes to these questions, then please take a few moments to review the Q&A below and the worksheet on the back to learn how you can benefit from using your Dependent Care Flexible Spending Account at work. Then ask your Human Resources administrator about enrolling so you can take full advantage of this valuable program!*

### Who is eligible to use a Dependent Care FSA?

You are eligible to use a Dependent Care FSA if the dependent care is needed to allow you to work. If you are married, your spouse must also be working or looking for work, be attending school full time or be physically or mentally unable to care for himself or herself.

If you are divorced or legally separated, you may use a Dependent Care FSA to pay for work-related dependent care expenses during the time of year your child lives with you, even if your former spouse claims the child for income tax purposes.

### Who is an eligible dependent?

A dependent must be a “qualifying individual.” A “qualifying individual” is:

- A qualifying child under the age of 13.
- A qualifying child or qualifying relative who is physically or mentally incapable of self-care and who lives with you for more than half of the taxable year.
- A spouse who is physically or mentally incapable of self-care and who lives with you for more than half of the taxable year.

### How much can I contribute to my Dependent Care FSA?

The Internal Revenue Service (IRS) allows you to contribute up to \$5,000 a year if you are single or if you are married filing jointly. If you are married and file a separate tax return, the limit is \$2,500.

**Key note:** *If either you or your spouse earns less than the applicable limit, then your maximum annual contribution is limited to the lower of your two incomes. Also, if your spouse has no earned income for a plan year, you cannot use this account unless they are disabled or a full-time student.*

### What expenses are eligible?

Many work-related dependent care expenses are eligible, including the cost of services provided by:

- A babysitter or housekeeper who provides dependent care (includes taxes paid on their wages). The person providing the care **cannot** be someone you claim as a dependent, a child

of yours under age 19, a spouse or an ex-spouse. The services can be provided either inside or outside your home. If they are provided outside of your home, a “qualifying individual” must spend at least eight hours a day in your home.

- A day-care center, nursery school or pre-school.
- An after-school program or summer **day** camp, including specialty camps (soccer, computer, music, etc.)
- A dependent care center (dependent must spend at least eight hours a day at your home; if the center cares for more than six people, it must comply with all state and local laws).

Also eligible:

- Fees for transportation provided by the dependent care provider.

The expenses must be “incurred” during the plan year. It does not matter when they are billed or paid.

### If my dependent care provider does not claim what I pay them as income on their tax return, can I still use my Dependent Care FSA?

In order to use a Dependent Care FSA, you must report the Social Security or tax identification number of your provider along with the amount you paid them when filing your federal income tax return. As a result, your provider will have to pay taxes on that income.

### What if I do not use all the money in my Dependent Care FSA by the end of the year?


According to IRS rules, any funds remaining in an FSA at the end of the plan year must be forfeited. As a result, it is best to be conservative when estimating your eligible expenses for the upcoming year.

**Key note:** *After the plan year ends, there is a grace period established by your employer (e.g. 90 days) during which you can submit claims that were incurred prior to the end of the plan year.*

*Estimate your eligible dependent care expenses and potential savings on the reverse side of this form!*

# Dependent Care FSA or Federal Tax Credit?

This easy-to-use worksheet can help you determine whether your Dependent Care FSA or the federal Child and Dependent Care Credit will produce the largest tax savings for you.

	FLEXIBLE SPENDING ACCOUNT	vs.	FEDERAL TAX CREDIT
 <p><b>Estimated Dependent Care Expenses</b></p> <p><b>Multiply by</b></p> <p><b>Tax Savings</b></p>	\$		\$
	NOT TO EXCEED \$5,000 for the calendar year.		NOT TO EXCEED \$3,000 for one child OR \$6,000 for more than one child for the tax year.
	X %		X %
	YOUR TAX RATE (Federal, State, FICA). See tax rate chart below.		TAX CREDIT PERCENTAGE (based on your taxable income). See tax credit chart below.
	\$		\$

## Tax Rate\*

Approximate rates based on 2008 federal tax rates, 5% state tax and 2008 FICA rate. *Your exact tax rate may vary.*

TAXABLE INCOME	SINGLE	MARRIED
\$ 0 - 8,025	22.7%	22.7%
\$ 8,026 - 16,050	27.7%	22.7%
\$ 16,051 - 32,550	27.7%	27.7%
\$ 32,551 - 65,100	37.7%	27.7%
\$ 65,101 - 78,850	37.7%	37.7%
\$ 78,851 - 102,000	40.7%	37.7%
\$ 102,001 - 131,450	34.5%	31.5%
\$ 131,451 - 164,550	34.5%	34.5%
\$ 164,551 - 200,300	39.5%	34.5%
\$ 200,301 - 357,700	39.5%	39.5%
\$357,701 and up	41.5%	41.5%

## Tax Credit Percentages\*

TAXABLE INCOME	%
\$ 0 - 15,000	35%
\$15,001 - 17,000	34%
\$17,001 - 19,000	33%
\$19,001 - 21,000	32%
\$21,001 - 23,000	31%
\$23,001 - 25,000	30%
\$25,001 - 27,000	29%
\$27,001 - 29,000	28%
\$29,001 - 31,000	27%
\$31,001 - 33,000	26%
\$33,001 - 35,000	25%
\$35,001 - 37,000	24%
\$37,001 - 39,000	23%
\$39,001 - 41,000	22%
\$41,001 - 43,000	21%
\$43,001 and up	20%

\* For estimation purposes only. Please consult your tax advisor.