

# Dependent Care Flexible Spending Account

# DEPENDENT CARE EXPENSE WORKSHEET

## Enhanced Benefits

If you are one of the many people who spends money for the care of dependents, a Dependent Care Flexible Spending Account (FSA) can make these expenses more affordable. You can enhance your benefits package by participating in this valuable option, available through your employer's flexible benefit plan.

This section explains how a Dependent Care FSA can help you pay your eligible out-of-pocket dependent care costs while increasing your spendable income. By taking time to learn more about this plan, you can make the most of your benefit choices.

## The History

Dependent Care FSA plans are qualified benefits under IRS Code Section 125. The United States Congress created IRS Code Section 125 as part of the Revenue Act of 1978 to make benefits more affordable for employees. Your employer has asked Benefit Resource, Inc. to implement this plan and present it to you.

## How It Works

When you participate in a Dependent Care FSA, you elect to have a specified number of tax-free dollars deducted from your gross earnings before taxes are calculated. IRS regulations govern the eligibility of expenses. Adequate documentation substantiating that an expense is eligible must be obtained from the provider. Note that the date a service is provided (not the date of payment) determines the Plan Year in which an expense is eligible.

## Your Spendable Income Increases

When you contribute tax-free dollars to a Dependent Care FSA, you lower your taxable income; therefore, you pay fewer taxes and increase your spendable income.

## The Next Step

Take time to go through the worksheet to determine how a Dependent Care FSA will benefit you. Because of the "use or lose" rule (described in your Summary Plan Description), it is important for you to plan carefully.

The following expenses may be eligible for payment from your Dependent Care FSA. Estimate your eligible out-of-pocket expenses below.

| <u>PLAN YEAR ESTIMATE</u> | <u>DEPENDENT CARE EXPENSES</u>               |
|---------------------------|--|
| \$ _____                  | Adult Day Care                               |
| \$ _____                  | Child Day Care                               |
| \$ _____                  | In-Home Dependent Care                       |
| \$ _____                  | Nursery School                               |
| \$ _____                  | <b>TOTAL PLAN YEAR ESTIMATE (a)</b>          |
| \$ _____                  | <b>TOTAL PLAN YEAR TAX SAVINGS (a x 35%)</b> |

## Eligible Expenses

The Internal Revenue Service (IRS) has set the maximum allowable contribution for a Dependent Care FSA at \$5,000 per family for a married couple filing jointly or for a single parent. The limit is \$2,500 for a married person filing separately. You may use this plan for expenses that meet these qualifications:

- Expenses must be for the care of a qualified person. A qualified person is someone who spends at least eight hours per day in your home and is one of the following:
  - Your dependent who was under age 13 when the care was provided and for whom you can claim an exemption. (If divorced or separated, see special regulations in IRS Publication 503.)
  - A spouse or dependent who is physically or mentally incapable of self-care, has the same principal place of abode as you for more than half of the year, and for whom you can claim an exemption.
- The dependent care must enable you to be gainfully employed or to look for work; if you are married, the dependent care must also enable your spouse to work, look for work or attend school full-time.
- Services must be for physical care, not for education, meals, etc.
- The amount claimed must not exceed the lesser of you or your spouse's earned income for the Plan Year.
- The services may be provided in your home or another location but not by someone who is your minor child or dependent for income tax purposes (e.g. an older child).
- If the services are provided by a day care facility that cares for six or more individuals at the same time, the facility must comply with state day care regulations.
- Overnight camps and lessons in lieu of day care are not eligible for payment from a Dependent Care FSA.
- You must identify the care provider on your income tax return (Form 2441 with a 1040 return; Schedule 2 with a 1040A return).