

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 account, 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 account, you can make the most of your benefit choices.

The History

Dependent Care FSAs are qualified benefits under Internal Revenue Code (IRC) Section 125. The United States Congress created IRC 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 the flexible benefit 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. Internal Revenue Service (IRS) regulations govern the eligibility of expenses. Adequate documentation that verifies the eligibility of an expense 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 this 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
\$ _____	TOTAL PLAN YEAR ESTIMATE (a)
\$ _____	TOTAL PLAN YEAR TAX SAVINGS (a x 35%)

Eligible Expenses

The maximum amount, set by the IRS, that you can contribute per calendar year for a Dependent Care FSA is limited to the smallest of the following amounts:

- \$5,000 if single or if married and filing jointly; \$2,500 if married and filing separately.
- Your earned income.
- The earned income of your spouse.

You may use this account 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).