



## **Child or Dependent Care Assistance - IRS Code Section 129**

The Child or Dependent Care Assistance spending account is another money-saving option that allows you to set aside pre-tax moneys to pay for certain dependent day care expenses. These expenses must be incurred to allow you and your spouse to work, unless your spouse is a full-time student or incapable of self-care.

Dependent care expenses are covered if the dependent is under age 13 or is physically or mentally incapable of self-care. An incapacitated dependent who is over 13 must regularly spend at least eight hours in your household to qualify.

Eligible child care can be provided inside or outside your home. However, the service cannot be provided by a person you claim as a dependent. If the services are

provided by a daycare facility with more than six children, it must comply with applicable state and local requirements and laws.

Housekeeping expenses are reimbursable if provided by a full-time, live-in housekeeper who cares for your dependent children.

The amount of child or dependent care expenses reimbursed cannot be more than \$5,000 per calendar year or your annual income or your spouses annual income, whichever is lower. Also, dependent care expenses reimbursed cannot be applied toward the federal income tax credit for dependent care.

### **Use it or Lose It**

The amount of money you save in taxes depends in part on your dependent care and unreimbursed medical elections. Care must be taken when making those estimates. After expenses are estimated and elections are made, money will be held on account to pay these costs. Under the "Use it or Lose It" rule, any moneys taken pre-tax must be used to pay for qualified, elected benefits or they will be forfeited to the employer. Your FlexWin representative can supply you with a "Cafeteria Plan Flexible Benefits Planning Survey" to help you estimate your expenses for this plan year. This will assist you in making an "informed" decision about the amount of money you choose to set aside in one of these accounts.

### **EXAMPLES: FOR ILLUSTRATIVE PURPOSES ONLY**

Annual Salary: \$15,000			Marital Status: Single		Annual Salary: \$25,000			Marital Status: Married	
	Before Cafeteria Plan	After Cafeteria Plan		Before Cafeteria Plan	After Cafeteria Plan		Before Cafeteria Plan	After Cafeteria Plan	
Monthly Salary	\$1,250.00	<b>\$1,250.00</b>	Monthly Salary	\$2,084.00	<b>\$2,084.00</b>	Monthly Salary	\$2,084.00	<b>\$2,084.00</b>	
Salary Redirections			Salary Redirections			Salary Redirections			
Health Insurance Premiums	0.00	<b>180.00</b>	Health Insurance Premiums	0.00	<b>250.00</b>	Health Insurance Premiums	0.00	<b>250.00</b>	
Term Life Insurance Premiums	0.00	<b>15.00</b>	Term Life Insurance Premiums	0.00	<b>15.00</b>	Term Life Insurance Premiums	0.00	<b>15.00</b>	
Child Care Expenses	0.00	<b>0.00</b>	Child Care Expenses	0.00	<b>200.00</b>	Child Care Expenses	0.00	<b>200.00</b>	
Unreimbursed Medical Expense	<u>0.00</u>	<u><b>50.00</b></u>	Unreimbursed Medical Expense	<u>0.00</u>	<u><b>100.00</b></u>	Unreimbursed Medical Expense	<u>0.00</u>	<u><b>100.00</b></u>	
Taxable Income	\$1,250.00	<b>\$1,005.00</b>	Taxable Income	\$2,084.00	<b>\$1,519.00</b>	Taxable Income	\$2,084.00	<b>\$1,519.00</b>	
Payroll Taxes			Payroll Taxes			Payroll Taxes			
7.65% FICA	95.63	<b>76.88</b>	7.65% FICA	159.43	<b>116.20</b>	7.65% FICA	159.43	<b>116.20</b>	
15% Federal Tax	187.50	<b>150.75</b>	15% Federal Tax	312.60	<b>227.85</b>	15% Federal Tax	312.60	<b>227.85</b>	
2.5% State Tax***	<u>31.25</u>	<u><b>25.13</b></u>	2.5% State Tax***	<u>52.10</u>	<u><b>37.98</b></u>	2.5% State Tax***	<u>52.10</u>	<u><b>37.98</b></u>	
Total Taxes	314.38	<b>252.76</b>	Total Taxes	524.13	<b>382.03</b>	Total Taxes	524.13	<b>382.03</b>	
After-Tax Pay	935.62	<b>752.24</b>	After-Tax Pay	1,559.87	<b>1,136.97</b>	After-Tax Pay	1,559.87	<b>1,136.97</b>	
After-Tax Expenses			After-Tax Expenses			After-Tax Expenses			
Health Insurance Premiums	180.00	<b>0.00</b>	Health Insurance Premiums	250.00	<b>0.00</b>	Health Insurance Premiums	250.00	<b>0.00</b>	
Term Insurance Premiums	15.00	<b>0.00</b>	Term Life Insurance Premiums	15.00	<b>0.00</b>	Term Life Insurance Premiums	15.00	<b>0.00</b>	
Child Care Expenses	0.00	<b>0.00</b>	Child Care Expenses	200.00	<b>0.00</b>	Child Care Expenses	200.00	<b>0.00</b>	
Unreimbursed Medical Expense	50.00	<b>0.00</b>	Unreimbursed Medical Expense	100.00	<b>0.00</b>	Unreimbursed Medical Expense	100.00	<b>0.00</b>	
Total Expenses	245.00	<b>0.00</b>	Total Expenses	565.00	<b>0.00</b>	Total Expenses	565.00	<b>0.00</b>	
Actual Spendable Income	690.62	<b>752.24</b>	Actual Spendable Income	994.87	<b>1,136.97</b>	Actual Spendable Income	994.87	<b>1,136.97</b>	
Monthly Increase In Spendable Income: \$61.62			Monthly Increase In Spendable Income: \$142.10			Monthly Increase In Spendable Income: \$142.10			

\*\*\*In states where allowed