

DETERMINE YOUR EXPENSES FOR THE PLAN YEAR:



DEPENDENT CARE ASSISTANCE ACCOUNT WORKSHEET

This worksheet has been designed to help you determine how much you should deposit in your Dependent Care Assistance Account. Remember that any amount not used at the end of the plan year will be forfeited; so make your elections carefully.

What is your eligible weekly dependent day care cost?	(A) \$
How many weeks of dependent care will you have in the Plan Year?	(B) \$
What is your total cost of your dependent day care for the Plan Year? -Multiply (A) by (B)-	(C) \$
Enter the Maximum Benefit Allowed: \$2,500 if married filing separately; \$5,000 if single or married filing jointly	(D) \$
How much do you wish to contribute per year? Enter the lesser of either (D) or (C)	(E) \$
How many pay periods will there be in the Plan Year?	(F) \$
This will be your pre-tax salary reduction per pay period: Divide the amount in (E) by (F).	(G) \$



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DEPENDENT CARE ASSISTANCE ACCOUNT

The Dependent Care Assistance Account is a program governed by the IRS and sponsored by your employer that allows you to set money deducted pre-tax from your paycheck into an account to reimburse you for eligible dependent day care expenses. Since the money you put into your account is not considered taxable income, you save by paying less Federal, State and FICA taxes. Depending on your personal circumstances, the Dependent Care Assistance Account may mean a significant tax savings to you. This brochure will help you evaluate the benefits of participation and help you decide how much to contribute.

HOW DOES THE DEPENDENT CARE ASSISTANCE ACCOUNT WORK?

Prior to the start of each plan year, you conservatively estimate how much money you expect to spend out-of-pocket to care for your children and other eligible dependents while you and your spouse (if applicable) are gainfully employed. When you arrive at this estimate, you may make an election to have money deducted from your wages pre-tax each pay period then deposited into an account for your future use. As you incur day care expenses, you may submit claims to draw the money out of your account. You will then be reimbursed up to the amount currently in your account. The reimbursements you receive are not taxable income.

When making your election to the Dependent Care Assistance Account, careful planning is essential. IRS regulations stipulate that once you make your election, it is locked in for the balance of the plan year. You may be allowed to make an election change if you have a qualifying change in family status (birth, adoption, marriage, divorce, death) or employment status (changing from full to part-time or vice-versa).

Eligible expenses must be incurred during the plan year. If all monies are not claimed by the end of the plan year (plus a 90 day grace period) they will be forfeited. If you terminate your employment, your contributions will automatically end as of that date. You may continue to submit eligible expenses to withdraw remaining funds from your account.

REIMBURSEMENT LIMITS

Reimbursement is limited to the amount earned by the lower earning spouse. If the spouse is a student, the monthly maximum will be \$250 for one child, and \$416.67 for 2 or more children.

Maximum reimbursement is \$5,000 per year (\$2,500 if married filing separately). This limit is applied based on the date the eligible expense is incurred, not the date billed or the date reimbursement is made.

GUIDELINES FOR DEPENDENT CARE ASSISTANCE EXPENSES

You can use the Dependent Care Assistance Account to pay day care expenses for your child, parent, or other dependents, according to the following guidelines:

- ✓ Dependent Care Assistance expenses are eligible only if they allow a single parent or both spouses to be gainfully employed or attending school full time.
- ✓ Expenses must be for a dependent whose principal place of abode is with you, who is under age 13, or physically/mentally incapable of caring for him/herself and doesn't have income in excess of the IRS tax code.
- ✓ Your dependent must spend at least 8 hours per day in your home.
- ✓ Please go to www.benstrat.com for the definition of a dependent.

ELIGIBLE DEPENDENT CARE ASSISTANCE PROVIDERS

- ✓ A day care center, nursery school, summer day camp or after school program that meets state and local requirements. (An overnight camp does not qualify, since the dependent will not be in the home for at least 8 hours per day.) **Kindergarten is not an eligible expense.**
- ✓ A babysitter inside or outside the home, or a housekeeper whose duties include day care (an au pair is an eligible provider, however, procurement or program fees for finding an au pair are not).
- ✓ A relative who cares for your children, or dependent, as long as that relative is over age 19 and is not your spouse or someone you claim as a dependent on your federal tax return.
- ✓ It is important to note that you will be required to furnish the tax ID or social security number of your provider, in order to get pre-tax treatment.

REIMBURSEMENT PROCEDURES

Benefit Strategies offers two easy methods to obtain reimbursement from an account:

- 1) **FlexExpress® Card** - If your dependent care provider accepts MasterCard®, you may use the Benefit Strategies FlexExpress® Card. The FlexExpress® Card is a special credit card, which provides you with easy access to your Dependent Care Assistance Account to pay your dependent care expenses right at the point-of-sale.
You must retain all documentation of the expenses you use the card to pay for, and submit it to Benefit Strategies upon request. You are responsible for the use of your (and your spouse's if applicable) FlexExpress® Card. The card is to be used **only** to pay for IRS eligible dependent care expenses incurred during the plan year. Be careful not to misuse the card for ineligible expenses, or for expenses incurred outside of the plan year. Misuse will result in permanent revocation of the card and repayment of ineligible expenses. If your card is lost or stolen, call Benefit Strategies as soon as possible.
- 2) **Paper Reimbursement Request Form** - The second reimbursement option is to pay for your qualified expenses out-of-pocket and submit a completed paper Reimbursement Request Form along with detailed documentation of your expenses to Benefit Strategies. An initial form (which may be copied) will be mailed to you. Additional forms may be downloaded from Benefit Strategies' website www.benstrat.com, or may be obtained from your employer or from Benefit Strategies directly upon request.
- 3) **Online Reimbursement Request** - By using your personal login screen at www.benstrat.com an option to file claims online is available. The Confirmation page and detailed documentation will need to be faxed or mailed to Benefit Strategies before you receive payment.

Benefit Strategies generally pays paper claims on a weekly basis. Properly completed and documented claims received by Thursday morning are usually processed on Friday. You may submit claims as often as you like for eligible expenses incurred during the Plan Year.

OBTAINING INFORMATION ABOUT YOUR ACCOUNT

Information on the activity, transaction history and balance remaining in your Dependent Care Assistance Account may be accessed by logging on to Benefit Strategies' website: www.benstrat.com. You will receive log on instructions after your account has been set up. Benefit Strategies also sends an account statement to plan participants approximately 90 days before the plan year-ends. This notice can serve as a reminder to participants to incur and submit their final eligible expenses for reimbursement.

FEDERAL TAX CREDIT & DEPENDENT CARE ASSISTANCE COMPARISON

Under the IRS code, two tax advantage options are available for dependent care expenses. You may use one or the other, or a combination of both, as long as you do not obtain pre-tax treatment and file for a tax credit on the SAME money. You should consult a qualified tax advisor to determine which is best for you.

Option 1: Dependent Care Assistance Account - Using the Dependent Care Assistance Account you may put up to \$5,000 (\$2,500 if married and filing separately) into your account on a before-tax basis. This limit applies no matter how many dependents you have in day care. You will save Federal Income Tax (20% to 35%), FICA (7.65%), and State Income Tax (0-6%) on any money contributed. The minimum savings maybe 27.65%, and may be as high as 42.65% depending on your tax bracket and state you live in.

Option 2: Federal Income Tax Credit - You are allowed to take a credit on your personal taxes, based on work-related child and dependent care expenses you incur. The maximum expense allowable that went into effect January 1, 2003, is \$3,000 for one qualifying dependent or \$6,000 for two or more. Only a percentage of these expenses may be deducted, however. The percentage depends on your adjusted gross income (or joint adjusted gross income if you and your spouse file a joint return.) You may take a credit of between 20% and 35% of your dependent care expenses, as shown on the chart below:

ADJUSTED GROSS INCOME			TAX CREDIT PERCENTAGE
43,001	To	No limit	20%
41,001	To	43,000	21%
39,001	To	41,000	22%
37,001	To	39,000	23%
35,001	To	37,000	24%
\$33,001	To	35,000	25%
\$31,001	To	\$33,000	26%
\$29,001	To	\$31,000	27%
\$27,001	To	\$29,000	28%
\$25,001	To	\$27,000	29%
\$23,001	To	\$25,000	30%
\$21,001	To	\$23,000	31%
\$19,001	To	\$21,000	32%
\$17,001	To	\$19,000	33%
\$15,001	To	\$17,000	34%
\$15,000	or	Less	35%