DEPENDENT CARE SPENDING ACCOUNT

How it Works

You and your spouse must be employed in order to participate, or one of you can be a full-time student, actively looking for work or disabled.

Your care provider cannot be your dependent.

The debit card cannot be used for dependent child care.

The maximum flex deduction per family per year is **$5,000 when filing jointly** or head of household and **$2,500 when married filing separately**. However, the maximum limit for the child tax credit on your federal income tax return is $6,000 and $3,000 — whatever amount you don't deduct from your Flexible Spending Account, you may be able to deduct the difference (up to $3,000 or $6,000 total) on your income tax return.

Expenses That Qualify for Reimbursement

- Before and after school care
- Household service if part of the service is for the care of a qualifying person
- Any care for your children whom you claim as tax dependents under the age of 13 (a child may qualify for only part of the year if he/she turns 13 mid-year)
- Care for spouse or dependents of any age who spend at least eight hours a day in your home and are mentally or physically incapable of self-care

Expenses That Do Not Qualify for Reimbursement

- Kindergarten, unless it can be determined that the educational part is incidental and cannot be separated from the cost of care
- Overnight camps (only day camps can be considered)

I take a dependent care credit on Form 1040. Will the Dependent Care Spending Account save more?

The more you earn, the more you'll save. In addition, you'll also save social security tax (FICA) with a Dependent Care Spending Account. So, don't wait until April 15 to take the credit. You can save taxes on every paycheck now.

Which is best for you? Visit *flexservices.higginbotham.net* and use the easy calculator to determine your savings.

Are there any negatives?

Because you won't pay social security tax on the amount of gross pay you set aside to pay for qualified expenses, your social security benefits at retirement may be slightly reduced. However, most tax advisors recommend taking advantage of current tax-savings opportunities like the Health FSA and Dependent Care FSA. Also, if disability insurance is paid on a pre-tax basis, any future benefits you receive will be taxable.