Dependent Care Reimbursement

The Dependent Care Reimbursement Account has been made available to you by your employer through Section 125 of the Internal Revenue Code.

Dependent Care Reimbursement permits you to be reimbursed, on a pre-tax basis, for the cost of child care expenses (the child must be under 13 years of age), certain tuition expenses (kindergarten or younger only) or for the care of an incapacitated spouse or dependent when those services make it possible for you (and your spouse) to work. To be eligible to use this account, you must be at work during the time your eligible dependents are receiving the care.

You qualify to use this account if:
- you are a single parent; or
- you have a working spouse; or
- your spouse is a full-time student for at least five months during the year while you are working; or
- your spouse is disabled and unable to provide for his or her own care.

The Dependent Care Reimbursement Account has been designed to meet IRS guidelines. Your expenses will be eligible for reimbursement if the services would be considered an eligible credit under the Internal Revenue Code.

Expenses may be reimbursed for services provided:
- inside or outside your home by anyone *other than*
  1) your spouse,
  2) someone who is your dependent for income tax purposes,
  3) one of your children under age 19; or
- in a dependent care center or a child care center (if the center cares for more than six children, it must comply with all applicable state and local regulations); or
- by a housekeeper whose services include, in part, providing care for an eligible dependent; or
- Day camp expenses (overnight camp is **not** eligible)

A taxpayer must provide the name, address and taxpayer identification number of the dependent care provider. If the provider is exempt from federal income taxation under Code Section 501 (c)3, the taxpayer is not required to report this number.

To make sure your situation and the type of care being provided meet IRS requirements, refer to IRS Publication 503 and Form 2441 which is available at your local post office, public library, or IRS office.

You must decide during your enrollment period how much money you want to set aside for dependent care assistance on a pre-tax basis. This amount cannot be changed during the plan year unless you have a change on account of and consistent with a change in family status such as:
- marriage
- divorce
- death of spouse or child
- birth or adoption of child
- significant change in your spouse's employment status

The maximum amount you may contribute from your salary to the Dependent Care Reimbursement Account is the lesser of:
- one-half of your taxable income, or
- if you're married, your spouse's taxable income, or
- the maximum amount shown on your election form (if applicable).

Section 125 states that any money you have not used for reimbursement by the end of the plan year must be forfeited. So be sure to plan carefully. Budget only for those expenses you know will be incurred.

It may not always be to your best advantage to make use of your Reimbursement Account. For some people, the Federal tax credit may be a better option. For others, the Reimbursement Account is preferable. With whatever approach taken, you cannot use the same expenses for both the tax credit and Reimbursement Account. Further, the amount which a taxpayer may take into account in calculating the tax credit under Code Section 21 will be reduced, dollar-for-dollar, by any amounts excluded from income through the Reimbursement Account.