

WHAT YOU NEED TO KNOW ABOUT DEPENDENT/ELDER CARE REIMBURSEMENT ACCOUNTS

H R Support & Consulting Services offers a benefit to help you save money on your dependent/elder care expenses. This benefit, called a Dependent/Elder Care Reimbursement Account, allows you to have money deducted pre-tax from your paycheck to pay for eligible dependent/elder care expenses. This means you will save federal, state, and FICA (Social Security) taxes on contributions to your Reimbursement Account. For example, an employee earning \$24,000 a year and spending \$3,500 annually on dependent/elder care, could save \$1100 a year in taxes with a Dependent/Elder Care Reimbursement Account. **NOTE:** The "Grace Period" does not apply to this account.

Is a Dependent/Elder Care Reimbursement Account right for you?

There are two ways to save tax dollars on the money you use for dependent/elder care bills. One way is to claim a credit on your income tax return. The other is to pay for dependent/elder care expenses with pre-tax dollars from a Dependent/Elder Care Account.

Because each case is different, we cannot tell you which way will be most beneficial to you. It is no longer advantageous to use a combination of the dependent care tax credit and Dependent/Elder Care Reimbursement Account to save tax dollars on dependent/elder care expenses. Legislation effective January 1, 1989, states that each dollar you put into a Dependent/Elder Care Account will reduce by one dollar the maximum amount you may use to figure your tax credit.

For example, if you have one child and fund a Dependent/Elder Care Reimbursement Account with \$1,000, the maximum amount you may use to determine your tax credit is reduced from \$2,400 to \$1,400.

To take advantage of the tax savings allowed under a Dependent/Elder Care Reimbursement Account, you must provide the name and tax identification or social security number of your dependent/elder care provider when submitting your request for reimbursement.

How you can benefit from using a Dependent/Elder Care Reimbursement Account

H R Support & Consulting Services reimburses you for eligible dependent/elder care expenses under the following conditions:

- Expenses must be incurred to enable you (and, if you are married, your spouse) to work full or part time or attend school full-time.
- Dependents who qualify include your children under age 13 and any other dependent (such as a disabled child 13 or older, spouse, parent) who is physically or mentally incapable of self-support and whom you claim as a dependent on your federal tax return.
- Reimbursable expenses include day care expenses, before and after school (through age 12) and most day camps (overnight camp expenses are ineligible).

You may contribute up to \$5,000 to a dependent/elder care account (\$2,500 if you are married and file separate returns). If the annual earned income of either you or your spouse is less than \$5,000, the maximum you may contribute will be that lesser amount.

Note: Participants must still file IRS Form 2441 when filing federal tax return when participating in a Dependent Care Reimbursement Account.

