



Flexible Spending Dependent Care Worksheet

This worksheet has been prepared to help you estimate how much you would like to allocate to the Dependent Care Assistance Account. This account allows you to set aside money from your paycheck, on a pre-tax basis, to pay for qualifying care expenses so that you, or you and your spouse, may work.

Determining Qualifying Expenses:

- ❖ The expense you incur for dependent care must enable you, or you and your spouse, to be employed (or your spouse to go to school full time, or actively seek employment).
- ❖ The services may be provided in your home, or at another location.
- ❖ The care provider does not have to be licensed, they can be a relative as long as they are not your minor child, or your dependent, for income tax purposes (over age 18).
- ❖ Childcare expenses qualify for the care of children under the age of 13, and the child must be your dependent for tax purposes. (Note: if the child turns 13 during the plan year, reimbursements for the period after attaining age 13 will not qualify.)
- ❖ Care expenses for dependents over the age of 13, only qualify if your dependent spends at least 8 hours a day in your home and has special care needs. (mentally or physically challenged)
- ❖ If the services are provided by a day care facility that cares for 6 or more children at the same time, the facility must comply with the state and local regulations for day care centers. The facility must be licensed only if state or locally required.
- ❖ Care providers will have to provide a license number or social security number (this includes relatives). You will be required to file an IRS form (2441 and/or W10) with your annual tax return with this information.
- ❖ Services must be for the physical care of the child; expenses for food, clothing, transportation and education do not qualify under this definition, however, such expenses are reimbursable if they are incidental to or an inseparable part of the care provided.

Qualified Dependents

- a dependent child of the taxpayer who is under age 13
- a spouse or dependent of the taxpayer, regardless of age, who is mentally or physically unable to care for himself or herself.
 - ❖ In the case of parents who are divorced or legally separated or who have a written separation agreement, a child can be a qualifying individual only with respect to the parent who has custody of the child for a longer period during the calendar year than the other parent.
 - ❖ To qualify as being mentally or physically incapable of self-care, an individual must have a mental or physical defect that renders the individual unable to care for his or her hygiene or nutritional needs, or requires that the individual have the full-time attention of another person to ensure his or her safety or the safety of others. It is not sufficient that the individual simply have defects making it impossible to hold a job or perform the usual functions of a homemaker.

Estimating Expenses

Estimate conservatively, if you do not incur the total amount you deposited to this account during the plan year, that amount will not be reimbursed to you. You cannot use those funds for any other services or for any other plan year.

Total estimated dependent care expenses for plan year:

\$ _____

Number of pay periods (i.e. monthly=12, semi-monthly=24, bi-weekly=26)

Divide: Total estimated expenses by number of pay periods for per pay period deduction:

\$ _____

(For example: estimated expenses are \$5000, number of pay periods is 26, per pay period deduction would be \$192.30)

Making Changes

Generally, changes to this plan are only allowed if you have a “ change in family status” , however there are certain situations in which a change may qualify. If you have a question about whether or not you can make a change, you may contact EBS Customer Service for assistance.

Claims

You may submit your claims to EBS as often as you like for reimbursement. You will not receive reimbursement for amounts that exceed the available contributions remaining in your account.

For example, if you have contributed \$200 each pay period for 3 pay periods, your account balance would equal \$600 and that amount would be available to you, (less any other claims you have been paid for during that period). If your claim was for \$1000 and your account balance is \$600, you will be paid the \$600 and as additional deposits are made to the account, the remaining claim balance (\$400 in this example) will be paid to you.

Sample account history:

Date	transaction	amount	account balance
1/15/03	deposit	\$ 200	\$200
1/31/03	deposit	\$ 200	\$400
2/15/03	deposit	\$ 200	\$600
	❖ (deposits accumulate until claim is made)		
2/18/03	claim	\$ 1000	
2/19/03	payment	\$- 600	\$000
	❖ (payment is made up to account balance, however balance of claim remains on account)		
2/28/03	deposit	\$200	\$200
3/1/03	payment	\$- 200	\$000
	❖ (account balance is positive with new payroll deposit, therefore payment is made on remaining claim balance)		

Reimbursement vs. Tax Credit

You should evaluate whether federal and state income tax credits allowable on your individual annual tax return(s) will be a better value to you than the Dependent Care Account. You can apply for one or the other of these two tax advantages, but not both, for the same expenses. Seek the advice of your tax consultant as to which program best meets your needs.



5674 Stoneridge Dr., Ste. 209 Pleasanton, CA 94588 925 460 3910 fax 925 460 3920

Dependent Care Assistance Account: Eligible Dependents and Eligible Expenses

Eligible Dependents

- Your child age 12 or younger of whom you have custody and for whom meets the qualifications under code 152*. For children of divorced or separated parents, only the parent with custody (rights to claim the child for tax purposes) can consider the child an eligible dependent under this plan, they must meet the qualifications under code 152*.
- Your child of any age who is physically or mentally unable to care for him/herself, even if he/she does not entitle you to a deduction on your federal tax return.
- Your spouse or qualifying relative who is physically or mentally unable to care for him/herself, even if he/she does not entitle you to a deduction on your federal tax return, and who satisfies the income test of \$3,200 for 2005.

Eligible Dependent Care Expenses

The following types of care are reimbursable from this plan:

- Care provided inside or outside your home by anyone other than: your spouse, a person you list as your dependent for income tax purposes, or one of your children under age 19.
- If your dependent is in Kindergarten or higher (through age 12), the cost of schooling must be separated from the cost of care.
- If your dependent is under Kindergarten and the cost of care and the cost of schooling can be separated, then only the cost of care is reimbursable. However, if the cost of schooling is incident to and cannot be separated from the cost of care, the total cost is reimbursable.
- A dependent care center or child care center (if the center cares for more than six children, it must comply with all applicable state and local regulations).
- A housekeeper, au pair or nanny whose services include, in part, providing care for a qualifying dependent.
- Day care costs while in day camps; overnight camp costs are not reimbursable.

Please Note:

- To qualify for reimbursement, you must provide your dependent care provider's tax ID number or Social Security number on your federal tax return (IRS form 2441). If you fail to provide this information, your DCSA reimbursements may not be eligible and may be reclassified as taxable income by the IRS.
- You are responsible for making sure that the expenses you submit for reimbursement are considered eligible expenses by the IRS. If you are not sure whether an expense is eligible, contact EBS Customer Service or refer to IRS Publication 503: "Child and Dependent Care Expenses." This publication is available by calling the IRS at 800-829-3676 or through the IRS website in the Forms and Publications section.

*Definition of Dependent under Code 152

The Working Families Tax Relief Act of 2004 changed the definition of dependent for various purposes. Prior to the change, to qualify as a dependent under 152 there were two tests that had to be met; Relationship (or residency if no relationship) and support (the taxpayer provided over half of his or her support). After WFTRA they combined code 151 with 152 and split it into two categories "Qualifying Child" and "Qualifying Relative". Each has four qualifications that need to be met in order to now be a dependent under code 152. Below are the tests that need to be met:

"Qualifying Child"

1. Relationship Test - The child must be the taxpayer's child, brother/sister (including half-blood), stepbrother/sister, or a descendant of any such person. Legally adopted and foster child included.
2. Residency Test - The child must have the same principal place of abode as the taxpayer for more than one half of the taxable year.
3. Age Test - The child must not have attained age 19 (age 24 if a student) as of the close of the calendar year in which the taxpayer's taxable year begins.
4. Limited Self Support Test - The child must not have provided over half of his or her own support during the calendar year in which the taxpayer's taxable year begins.

"Qualifying Relative"

1. Relationship Test - Child (or descendant), brother/sister, step brother/sister, parent (step or ancestor), niece/nephew, uncle/aunt, in-laws, or an individual who for the taxable year (1) has the same principal place of abode as the taxpayer, and (2) is a member of the taxpayer's household, as long as it does not violate local law.
2. Income Test - The individual's gross income for the calendar year in which the taxpayer's taxable year begins must be less than \$3200 for 2005.
3. Support Test - The individual generally must have received over half of his or her support from the taxpayer during the calendar year in which the taxpayer's taxable year begins.
4. Not anyone's "Qualifying Child" Test - The individual cannot be a qualifying child of the taxpayer or any other taxpayer.