



Dependent Care Plan

Pay for Dependent Care Tax-Free

The Dependent Care Plan allows you to set aside pre-tax money to pay dependent care expenses for the coming year. By having your estimated expenses deducted from your paycheck earnings *before* any taxes are taken out, you can save money on the taxes you pay.

How Does It Work?

Using a Dependent Care Plan is easy. Just decide how much money you want to set aside to cover your dependent care expenses for the coming year. Your employer withholds an equal portion of that amount from each paycheck, deducting it from your earnings on a pre-tax basis. Then throughout the year, submit the receipts whenever you incur a qualified dependent care expense. You'll be reimbursed the amount of the qualified service up to your available balance.

What Kinds of Expenses Qualify?

Dependent care refers to the care of a dependent under age 13, or a mentally or physically disabled dependent of any age.

In addition:

- Dependent care must be necessary so that you and your spouse can work.
- Expenses cannot exceed the income of you or your spouse, whichever is lower.
- Selected daycare facility must be state licensed.

Daycare expenses may be first on your list, but other types of dependent care services qualify as well. You can plan ahead for any of these qualified expenses and have pre-tax money pay for:

- Infant and child daycare services
- Adult and senior daycare services
- Before-school and after-school care
- Summer day camp
- Eligible housekeeping services

How Much Can You Save?

Depending on your tax status, you can pay less in taxes and increase the amount of spendable money in your paycheck each month. Here's how it works:

	Before Flexible Benefits Program	After Flexible Benefits Program
Gross Monthly Salary	\$2,000.00	\$2,000.00
Monthly Dependent Care Plan Deductions	N/A	- \$200.00
Taxable Income	\$2,000.00	\$ 1,800.00
Estimated Federal Taxes (15%)	- \$300.00	- \$270.00
Estimated FICA Taxes (7.65%)	- \$153.00	- \$137.70
Monthly Dependent Care Expenses	- \$200.00	- \$200.00
Reimbursement From Dependent Care Plan	N/A	+ \$200.00
Net Monthly Income	\$1,347.00	\$1,392.30
Additional Monthly Take-Home Income		\$ 45.30
Annual Increase In Take-Home Income		\$543.60

In each case you earn the same \$2,000. But with your Dependent Care Plan, you take home \$45.30 more each month – *for an annual take-home increase of \$543.60. Actual tax savings depend on your tax status.*

(over)

How Much Should You Withhold?

To estimate your dependent care expenses, review all your dependent care bills, expense vouchers, tax receipts, checkbook register and other records for the past two years. With these figures as a guide, estimate what dependent care expenses you will probably incur for the coming year. You may elect up to \$5,000 per benefit period based on current IRS regulations, or \$2,500 for married couples filing separately.

Do Any Special Rules Apply?

In return for tax-saving advantages, the federal government has placed certain restrictions on your Dependent Care Plan.

- You may contribute a certain portion of your pre-tax pay to the Dependent Care Plan.
- Plan carefully. Any funds left over at the end of the year will be forfeited. With proper planning, however, no money should be lost.
- You may change the amount of your contribution only if you have a qualifying event or family status change, such as:
 - Marriage
 - Divorce
 - Change of employment by spouse
 - Birth or adoption of a child
 - Death of a child or spouse
 - Change in daycare provider
 - Change in cost

Additional Features and Options

- **Check Balances Online** – You can easily check your account balances online (www.selectdataservice.com) or by phone (1-888-698-1429) at your convenience. This service allows you to manage your own flexible spending account better and make the most of the funds you have set aside.
- **Direct Deposit** – Instead of being reimbursed by a check, you can choose to have your reimbursements deposited directly into your checking or savings account on a weekly basis.

Sign Up and Start Saving Today!

Enroll in your company's Dependent Care Plan. You can start saving money on your taxes – and start keeping more of what you earn each month. Just by planning ahead!



Group Insurance Services, Inc.
801 Pine Street
Chattanooga, Tennessee 37402
www.GISbenefits.com



Select Data Service Administrators
P.O. Box 2076
Batesville, Arkansas 72503
www.selectdataservice.com