

Dependent Care Spending Account Worksheet

Pre-tax through your employer or the Federal Tax Credit, Which is better for your family?

This worksheet is designed to help you determine the best way for you and your family to take advantage of the tax savings allowed by the IRS. You must decide to take advantage of the Dependent Care Spending Account through your employer or take the Federal Tax Credit when you file your income tax return at the end of the year. Both will help you save tax dollars on the money you spend for eligible dependent care expenses. The tax tables below will help you calculate which will generate the most tax savings for you and your family. Generally, if your household income is greater than \$24,000.00 per year, pre-taxing dependent care benefits through the employer-sponsored plan will save you more money.

Dependent Care Spending Account Tax Saving Calculation:

Simplified Marginal Tax Table		
Federal, State (5%) & FICA		
Total Earned Income	Single	Family
\$ 0-24,100	27.6%	27.6%
24,101-41,100	40.6%	27.6%
41,101-58,150	40.6%	40.6%
58,151-62,700	43.6%	40.6%
62,701-96,900	41.7%	39.5%
96,901-121,300	41.7%	39.3%
121,301-147,700	44.6%	39.3%
147,701 and up	42.5%	42.5%

Enter your dependent care costs for all dependents (\$5,000 maximum) \$ _____

Enter your tax rate based on your annual household income X _____%

Tax savings (Multiply annual dependent care costs by tax bracket) \$ _____

How the Dependent Care Spending Account Works:

Section 129 of the IRS Code enables an employee to deduct a specified amount from his/her paycheck each pay period to pay for dependent care expenses. The amounts are deducted before taxes are withheld, thereby reducing your taxable income. The deductions are held in the employee's name and accrue until the employee submits an eligible dependent care expense claim. The employee is then reimbursed for their expenses from the account without having one tax dollar taken from that amount. **Note that employees can only be reimbursed up to their account balance in the Dependent Care Account and may not carry a negative account balance.**

Federal Tax Credit Calculation:

Total Household Income	Tax Credit
\$ 0-10,000	30%
10,001-12,000	29%
12,001-14,000	28%
14,001-16,000	27%
16,001-18,000	26%
18,001-20,000	25%
20,001-22,000	24%
22,001-24,000	23%
24,001-26,000	22%
26,001-28,000	21%
28,001 and up	20%

Enter your dependent care costs
(not to exceed \$2,400/child to a maximum of \$4,800 for 2 or more dependents) \$ _____

Enter your tax credit % rate based on your annual household income X _____ %

Tax savings (Multiply annual dependent care costs by tax credit) \$ _____

If the Dependent Care Spending Account saves you more than the Federal Tax Credit, divide the annual cost by the number of pay periods on your Election Form for this plan year.

Note: Actual employee tax rates may be higher or lower depending on income levels. Please check with your tax advisor for counsel on taxes in your state.