

Can I pay my in-home daycare provider through the Dependent Care FSA?

Yes. You can be reimbursed from your Dependent Care FSA for any qualified daycare expense, whether performed in your home, the provider's home or a daycare center. The caregiver's Social Security number or tax identification number must be included on the Claim Form. You will also need to provide receipts for the expenses or have your provider sign the completed Claim Form.

My dependent care provider doesn't claim the income as earnings. Can I use the dependent care account?

You can, but you will need to report the Social Security or tax identification number of your provider, along with the amount paid and benefits received, on Form 2441 to accompany your federal income tax return. As a result, your provider will have to pay taxes on that income.

My ex-spouse claims our child as a deduction for tax purposes, but I pay for child care. Can I use the Dependent Care FSA?

During the time of the year the child resides with you, you can use the dependent care account to pay for child care services.

Can I use both the Dependent Care FSA and the federal Child and Dependent Care Credit?

Expenses reimbursed from a Dependent Care FSA reduce the amount you can claim under the federal income tax credit. You will have to determine which approach is best for you. The worksheet below can help you make your decision. Keep in mind the tax savings derived through participation in a Dependent Care FSA are realized throughout the plan year versus once on April 15.

Dependent Care FSA Worksheet

Make sure you bring home the greatest tax savings.

Which tax savings approach - the Dependent Care FSA or the federal Child and Dependent Care Credit - works best for you? Complete this worksheet for a quick comparison of the tax savings. For a more precise estimate, please consult your tax advisor.

Dependent Care Flexible Spending Account	
DEPENDENT CARE EXPENSES (not to exceed \$5,000 for the plan year)	\$
MULTIPLY: Your tax rate (federal, state, FICA)	X %
TAX SAVINGS	\$

Federal Child and Dependent Care Credit	
DEPENDENT CARE EXPENSES (not to exceed \$2,400 for one child and \$4,800 for two+ children for the tax year)	\$
MULTIPLY: Tax credit percentage based on your taxable income (see below)	X %
TAX SAVINGS	\$

Are you sure about your tax rate?

This table can help you determine an approximate tax rate. Keep in mind, this is a simplified table. Your exact tax rate is likely to vary.

Taxable Income	Single	Married
\$0 - 25,750	27.7%	27.7%
\$25,751 - 43,050	40.7%	27.7%
\$43,051 - 62,450	40.7%	40.7%
\$62,451 - 72,600	43.7%	40.7%
\$72,601 - 104,050	37.5%	34.5%
\$104,051 - 130,250	37.5%	37.5%
\$130,251 - 158,550	42.5%	37.5%
\$158,551 - 283,150	42.5%	42.5%
\$283,151 and up	46.1%	46.1%

Tax table includes 1999 federal tax rate, 5% state tax and 1999 FICA rate.

Find your tax credit percentage.

This table shows you the federal tax credit percentage you are eligible for based on your taxable income.

Taxable Income	%
\$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-up	20%

What is taxable income? Taxable income is your salary (and other income such as interest and dividends) minus your personal exemptions (\$2,750 in 1999) and the standard deduction (\$4,300 single/\$7,200 married) or your itemized deductions. You can also subtract any pre-tax payments you have elected (for example, pre-tax premiums, Dependent Care FSA contributions, 401(k) elections). If you use the federal Child and Dependent Care Credit, you cannot subtract the amount you pay for dependent care when calculating your taxable income (for finding your tax credit).

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