Flexible Spending Account

BASIC Flex Dependent Care Reimbursement

If you're one of many people who spend money on child care while at work, a Dependent Care Reimbursement Account is a logical choice. Using BASIC Flex is like getting child care or preschool on sale. The money is deducted before taxes so you don't pay most federal, state, Social Security and Medicare taxes on that amount. The savings range from 15% to 40% depending upon your tax bracket.

Determine the amount to put into your Dependent Care Account and start saving. A single parent or married couple filing jointly can elect up to $5000 per family, while a married person filing separately can elect up to $2500 (It's $2500 for that person but still $5000 for the family). Left-over money is forfeited, so elect only what you know you will spend.

Dependent Eligibility:
- You and/or your spouse must be employed or actively seeking employment or attending school full time.
- Child must be a dependent under 13 years of age and be in your custodial care more than 50% of the calendar year. If your child turns 13 during the plan year, expenses are no longer eligible for reimbursement.
- A spouse or dependent that is incapable of self-care and regularly spends at least eight hours per day in your home (i.e. an invalid parent).
- Dependent care expenses paid during a sick leave, holiday or vacation are not eligible.

Service Requirements:
- Provider cannot be a minor child or dependent for income tax purposes (i.e. an older child).
- Service provider must claim payments are income and comply with state regulations.
- Services must be for the physical care of the child, not for education, meals, etc.
- Overnight camps are not eligible for reimbursement.
- Expenses paid for Pre-K are eligible but kindergarten is not.

Here is an illustration of someone in a 15% tax bracket with a $5000 election. They would save $1132 in one year using BASIC Flex.

<table>
<thead>
<tr>
<th>Without a Flexible Spending Plan</th>
<th>With a Flexible Spending Plan</th>
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</thead>
<tbody>
<tr>
<td>Gross taxable Wage</td>
<td>$500</td>
</tr>
<tr>
<td>Federal, FICA &amp; State Tax</td>
<td>$-113.25</td>
</tr>
<tr>
<td>Take home pay</td>
<td>$386.75</td>
</tr>
<tr>
<td>Dependent Care Election ($5000 divided by 52 weeks)</td>
<td>$-96.15</td>
</tr>
<tr>
<td>Amount left to spend</td>
<td>$290.60</td>
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Assuming 15% Federal Tax, 7.65% FICA Tax (Social Security and Medicare)

You must enroll each year if you want to continue participating in the Flexible Spending Account program.