

Dependent Care Assistance Account & Federal Income Tax Credit Comparison

Under the IRS code, two tax advantage options are available for dependent care expenses. You may use one or the other, or a combination of both, as long as you do not obtain pre-tax treatment and file for a tax credit on the same money. You should consult a qualified tax advisor to determine which option is best for you.

Option 1: Dependent Care Assistance Account

Once your Flexible Spending Account is established, you will receive a set of FlexExpress® Cards at your home address, via US Mail. The FlexExpress® Cards can be used like a credit card to transfer funds from your Flexible Spending Account(s) directly to the health or day care provider, to pay your eligible out-of-pocket expenses. Benefit Strategies may also ask you to send in this documentation to substantiate that a reimbursement was for an eligible expense incurred during the plan year.

Option 2: Federal Income Tax Credit

You are allowed to take a credit on your personal taxes, for the work-related child and dependent care expenses you incur. The maximum expense that may be considered is \$3,000 for one qualifying dependent or \$6,000 for two or more. However, only a percentage of these expenses may be deducted. The percentage depends on your adjusted gross income (or joint adjusted gross income if you and your spouse file a joint return.) You may take a credit of between 20% and 35% of your dependent care expenses, as shown on the chart below.

Adjusted Gross Income			Tax Credit Percentage
\$43,001	To	No limit	20%
\$41,001	To	\$43,000	21%
\$39,001	To	\$41,000	22%
\$37,001	To	\$39,000	23%
\$35,001	To	\$37,000	24%
\$33,001	To	\$35,000	25%
\$31,001	To	\$33,000	26%
\$29,001	To	\$31,000	27%
\$27,001	To	\$29,000	28%
\$25,001	To	\$27,000	29%
\$23,001	To	\$25,000	30%
\$21,001	To	\$23,000	31%
\$19,001	To	\$21,000	32%
\$17,001	To	\$19,000	33%
\$15,001	To	\$17,000	34%
\$15,000	Or	Less	35%