

# Dependent Child Care Reimbursement Plan

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## Dependent Care Expenses\*

Dependent care expenses are expenses incurred to enable an employee to work. If the employee is married and the employee's spouse is not a full time student and is capable of self-care, the expenses must be to enable the employee and spouse to work. Any type of dependent care eligible for federal income tax credit is eligible for reimbursement under the Dependent Child Care Reimbursement Plan.

**Fees:** NONE

## Eligible Expenses

Expenses may be reimbursed for any dependent who is under age 13, and for whom a personal exemption deduction is allowed for federal income tax purposes, the care of the employee's dependent or spouse who is physically or mentally incapable of self-care, or household services in connection with the care of such a person. Expenses may be reimbursed for services provided:

1. By a child care center, babysitter, or nurse.
2. Outside the employee's home for the care of a dependent or spouse. If the care is for a dependent who is age 13 or over or for the spouse and the dependent or spouse is incapable of self-care, the dependent or spouse must spend at least 8 hours a day in the employee's home to qualify for dependent reimbursement
3. A nursery school, even though the school provides lunch and educational services. No amounts of educational services are eligible in the first grade or higher.
4. By a housekeeper whose services include, in part, providing care of an eligible dependent
5. By a relative who provides dependent care services, if the relative is not the employee's dependent or spouse's dependent for whom a personal exemption deduction is allowed for federal income tax purposes, and is not the employee's child or stepchild who is under age 19 at the end of the year.

## Types of expenses not covered under the Dependent Care Reimbursement Plan:

1. Cost of food, clothing, and education
2. Cost of transportation between the employee's house and the place where dependent care services are provided
3. Cost of a childcare center that provides care for more than six nonresidents and which does not comply with all applicable laws
4. Expense for which a dependent care tax credit is taken

## Maximum Amounts that can be reimbursed: the lesser of

1. The employee's earned income
2. The spouse's income
3. \$5,000 (\$2,500 if married and filing separately) per tax year

\* A spouse that is either a full time student or not capable of self-care is treated as working and earning income. The earned income of such a spouse for each month is considered to be \$250 if there is one qualifying person in the household, or \$500 if there are two or more.

**Use it or Lose it Provision:** Under this rule, you must use the money in your Dependent Child Care Reimbursement Account for eligible expenses incurred during the plan year in which the deductions are made. You have until November 30 of the following plan year to request your reimbursement. If you have a balance in your Dependent Child Care Reimbursement Account after the deadline for requesting reimbursement, the IRS requires it to be forfeited.

**Debit Card:** Use a debit card to pay for all or a portion of your monthly child care expenses. This eliminates the need to submit paper claims for reimbursement of the money deducted from your paycheck. No longer do you have to remember to send in a request for reimbursement with proof of the claim. This is done automatically with the debit card. The provider is paid and you do not have to be out the cash while waiting on the reimbursement.

**It is the responsibility of the employee to consult a qualified tax preparer prior to enrollment to determine the tax advantage of the Dependent Child Care Reimbursement Plan versus a tax credit.**

## DEPENDENT CHILD CARE WORKSHEET

To help you determine the amount you should elect for childcare expenses, please use the following worksheet: Remember to be conservative in your estimates. You should make allowances for time that you will not be using childcare such as vacations, holidays and sick days.

1. I use childcare \_\_\_\_\_ months per year.
2. My annual childcare expenses are \$\_\_\_\_\_.
3. Reduce by amount not paid because of spring break, holidays, sickness, etc. \$\_\_\_\_\_.
4. My total number of pay periods equal \_\_\_\_\_.
5. My per pay period deduction for childcare should be \$\_\_\_\_\_.

Example: An employee uses child care for 10 months per plan year and averages \$480 per month. To be conservative, the employee will have \$4,500 per plan year deducted through the Dependent Child Care Reimbursement Plan.

As you turn in your claims for your actual monthly expenses the following is an example of how your account is credited or debited and the amount of your reimbursement is calculated.

Expense Period	Claim Amount	Deduct Amount	Payment Amount	YTD Claim	YTD Deduct	YTD Paid	Balance Unpaid
September	\$480	\$375	\$375	\$480	\$375	\$375	\$105
October	\$480	\$375	\$375	\$960	\$750	\$750	\$210
November	\$480	\$375	\$375	\$1,440	\$1,125	\$1,125	\$315
December	\$480	\$375	\$375	\$1,920	\$1,500	\$1,500	\$420
January	\$480	\$375	\$375	\$2,400	\$1,875	\$1,875	\$525
February	\$480	\$375	\$375	\$2,880	\$2,250	\$2,250	\$630
March	\$480	\$375	\$375	\$3,360	\$2,625	\$2,625	\$735
April	\$480	\$375	\$375	\$3,840	\$3,000	\$3,000	\$840
May	\$480	\$375	\$375	\$4,320	\$3,375	\$3,375	\$945
June	\$0	\$375	\$375	\$4,320	\$3,750	\$3,750	\$570
July	\$0	\$375	\$375	\$4,320	\$4,125	\$4,125	\$195
August	\$480	\$375	\$375	\$4,800	\$4,500	\$4,500	\$300
Total	\$4,800	\$4,500	\$4,500				

When there are no claims filed, the computer will automatically look for any unpaid claims to pay. Therefore, claims for the unpaid amounts do not have to be filed during the months in which there were no expenses. As you can see, over the twelve-month period \$4,500 has been deducted and \$4,500 has been paid. Remember, regardless of the amount you elect to have deducted for this benefit, you should always claim the exact amount of the expense that was incurred during any one month. Out TPA will keep track of any unpaid balances or any deductions not yet used.

In order to justify your tax deduction under the child/dependent care plan of our Cafeteria Plan as stated in Box 10 of your W-2 Form to the IRS, we have been advised that **you should file a Form 2441 Child and Dependent Care Expenses if you file Form 1040 or a Schedule 2 if you file form 1040A.** This does not change the tax-free benefits of your cafeteria plan but rather justifies the tax deduction for the IRS.

**How do I file a claim** - There are two methods for filing a claim:

- Use the Debit card at your child care provider to pay for your child care expenses – only the amount deducted to date can be paid using the Debit card. If your expense is larger than the deducted amount available, then your provider will have to reduce the Debit card transaction to the deducted amount available.
- Complete a Request for Reimbursement claim form (available from the Benefits Office or on the District's web page ([www.lisd.net/benefits](http://www.lisd.net/benefits))) and mail claim form to the District's Third Party Administrator. A check will be mailed to you within 8 to 10 days.