DEPENDENT CARE SPENDING ACCOUNT

- You and your spouse must be employed in order to participate, or one of you can be a full-time student actively looking for work, or disabled.
- Kindergarten is not reimbursable, unless it can be determined that the educational part is incidental and cannot be separated from the cost of care.
- Overnight camps are not eligible — only day camps can be considered.
- Household service is eligible if part of the service is for the care of a qualifying person.
- Before and after school care is eligible.
- Your care provider cannot be your dependent.
- The debit card cannot be used for dependent child care.

The maximum flex deduction per family per year is **$5,000 when filing jointly** or head of household; and **$2,500 when married filing separately**. HOWEVER, the IRS maximum limit for income tax purposes is $6,000 and $3,000 — whatever amount you do not deduct from your Flexible Spending Account, you can deduct the difference (up to $3,000 or $6,000) on your income tax return.

- Any care for your children whom you claim as tax dependents under the age of 13 is eligible. A person may qualify for only part of the year if he/she turns 13 mid-year.
- Care for spouse or dependents of any age who spend at least eight hours a day in your home, who are mentally or physically incapable of self-care is eligible.

Answers to Common Questions

Q
I take a dependent care credit on Form 1040. Will the Dependent Care Spending Account save more?

A
The more you earn, the more you'll save. In addition, you'll also save social security tax (FICA) with a Dependent Care Spending Account. So, don't wait until April 15 to take the credit. Now, you can save taxes on every paycheck.

Which is best for you?
Visit **www.mywealthcareonline.com/higginbotham** and use the easy calculator to determine your savings.

Q
Are there any negatives I should know about?

A
Because you will not pay social security tax on the amount of gross pay you set aside to pay for qualified expenses, your social security benefits at retirement may be slightly reduced. However, most tax advisors recommend taking advantage of current tax-savings opportunities like the Health FSA and Dependent Care FSA. Also, if disability insurance is paid on a pre-tax basis, any future benefits you receive will be taxable.