

Dependent Care Assistance Plan

The Dependent "Day Care" Assistance Plan (DCAP) helps working families by using tax-savings to reduce the cost of the day care services which allow the parent(s) to work.

What is eligible day care? Expenses for the care of your "qualified dependent" while you (and your spouse, if married) are gainfully employed, including babysitters, pre-school tuition, day care or elder-care centers and day camps. If your care provider works in your home, you are required to withhold payroll taxes. The care provider must comply with state and local regulations if they care for more than six persons (other than persons who live there).

Who are "qualified dependents"? They are your children under age 13 as well as your spouse, parents or other dependent family members who are incapable of self-care. To be "qualified," the dependents must live with you full time; more than 8 hours a day and more than one half of the year.

What expenses are not eligible? Day care expenses are not eligible if paid to anyone you claim as a tax dependent or your child under age 19, even if they are not your tax dependent. Day care expenses are not eligible if they are not required for the care of your child while you are working. If you or your spouse are not working because of a short-term (two weeks or less) illness or vacation and you have to pay the provider whether the child goes to day care or not, then the expense is eligible. But if you don't have to pay the provider if the child doesn't go to day care and you're not working, it is not eligible. The educational costs for school-age children are not eligible. The cost of entertainment, field trips, food and clothing are not eligible unless they are incidental and cannot be separated from the day care costs. But those costs are not eligible if they are optional or billed separately, such as extra fees charged for swim lessons, a field trip, tutoring or a camp T-shirt.

When are my expenses eligible? Your expenses must be incurred in the Plan Year after you become an eligible, active participant in the DCAP. An expense is "incurred" when you receive the service. Deposits and prepayments for future services are not eligible until services are received.

How do I get reimbursed?

You make a claim and send it along with documentation of your expenses, such as a receipt or bill.

What are the annual contribution limits? The limit is \$5,000 if you are single, head of household or married filing a joint tax return. Married couples that file separately are limited to \$2,500. Your DCAP contributions cannot be greater than your taxable "earned" income or that of your spouse. Other limits apply if your spouse is a full-time student or disabled and unable to care for themselves or the children.

DCAP & the Tax Credit The Federal Day Care tax credit expense limit is \$3,000* with one dependent or \$6,000* with two or more dependents in day care. You cannot use the same expenses for both the DCAP and the Tax Credit. But you may be able to claim the tax credit for any day care costs in excess of your DCAP benefits up to the Tax Credit limits. For example, if you pay \$6,000 in day care fees for two children and contribute \$5,000 to the DCAP, you can take the tax credit for up to \$1,000 of your "excess" expenses. Most families earning more than \$40,000 will find greater tax savings in the DCAP than with the Tax Credit.

*The \$3,000/\$6,000 tax credit limits will revert back to the pre-2002 tax credit limits of \$2,400/\$4,800 in 2013 unless extended by Congress.

Do I report my Day Care? Yes, you will need to complete IRS Form 2441 with your tax return to report the names, addresses, Tax ID/Social Security numbers, and amounts paid to your day care providers.

Can I change my elections? The IRS requires that your elections be enforced for the entire year unless you have a "Change In Status". Change In Status situations include marriage, divorce, death, birth, adoption, employment changes or changes in your day care provider or day care costs. Your election change must directly relate to the Change In Status and you must submit a request to change your election within 30 days of the Change In Status event.



It is important that you carefully estimate the expenses that you and your family will incur during the Plan Year. If you do not use the funds you contributed during the year, any balance left in your accounts will be forfeited.

It is important that you read the Summary Plan Description (SPD) that your employer gave you. The SPD is a detailed description of the Plan including the benefits, the eligibility requirements and the claims filing deadlines. This brochure is not intended to provide tax advice. Please contact your tax advisor regarding your personal situation.