

DEPENDENT CARE REIMBURSEMENT UNDER THE SECTION 125 CAFETERIA PLAN

The Dependent Care Reimbursement Benefit under the Section 125 cafeteria plan allows you to pay for dependent care expenses with before tax dollars.

You choose the amount you want taken out of your monthly paycheck based on your projected dependent care expenses for the year. The maximum amount is \$416.66 monthly or \$5,000 yearly.

Each month the amount you select will be taken out of your check and will be deposited into your account. Unlike the medical reimbursement you will only be reimbursed each month for your monthly deduction.

Example: If you choose to have \$300 deducted monthly for dependent care and you turn in a receipt for \$400 you will only be paid the \$300 for that month. The \$100 balance will roll over the next month.

THINGS TO REMEMBER

Once you set an amount this cannot be changed or dropped during your current plan year unless there is a qualifying event (see enclosed list).

Any unused funds that are in your account at the end of the plan year you will lose and these funds will not be returned to the employee.

Expenses must be incurred during the current plan year.

Individuals making an adjusted gross income of \$28,000 or less would better off taking the deduction on their 1040 form instead of using the reimbursement plan.

You will not be reimbursed for each month until the school has sent the money into the processing department in Houston. Even though it has already been taken out of your paycheck, it does not automatically hit your account. There is about 1-2 week period before it will be available to claim.

WHAT QUALIFIES AS DEPENDENT CARE?

Your dependent care expense must be incurred to allow you (and your spouse if you are married) to work or look for work.

You must have made payments for dependent care to someone you could not claim as a dependent and if the person you made payments to was your child, he or she must have been age 19 or over by the end of the tax year.

Child support payments and childcare payments qualifying as alimony are not qualified expenses for reimbursement.

The services of a housekeeper, maid or cook are usually considered necessary to run your home if performed in connection with care of the qualifying dependent.

Dependent care center expenses are also eligible dependent care expenses if the care is for your dependent under age 13 and for any other qualifying dependent who regularly spends at least 8 hours each day in your household. Including:

- A dependent is physically or mentally not able to care for himself/herself and spends at least 8 hours daily in your home.
- A dependent's spouse who is physically or mentally not able to care for himself/herself and spends at least 8 hours daily in their home.

The dependent care center or provider must comply with all the applicable federal, state and local regulations.

A dependent care center is a place that provides care for more than six persons (other than persons who live there) and receives a fee, payment or grant for providing services for any of those persons regardless of whether or not the center is run for profit.

The cost of getting a qualifying dependent to and from your home and the care location is not an eligible expense.