

Dependent Care Reimbursement Account Worksheet

Estimate your Expenses

| | | | | |
|---|---|--|---|----------|
| \$ _____ | X | _____ | = | \$ _____ |
| (weekly amount you spend for dependent care) | | (Number of weeks you need dependent care) | + | |
| | | Summer day camps: | | \$ _____ |
| TOTAL ANNUAL DEPENDENT CARE EXPENSES | | | | \$ _____ |

Estimate your Savings

The Dependent Care Spending Account can help you save money on taxes because it allows you to pay dependent care expenses with before-tax dollars (including Social Security taxes). Current Federal tax law also allows you to take a tax credit for eligible dependent care expenses. However, you cannot claim any expenses under the tax credit which have also been reimbursed through the reimbursement plan. Therefore, you should estimate your savings under the tax credit and reimbursement account to see which one is best for you. The following will help you make this decision.

Federal Tax Credit Savings

1. Enter the amount of your expected dependent care expenses (not to exceed: \$3000 for one child or \$6000 for more than one child) \$ _____
2. Enter total estimated income for you and your spouse \$ _____
3. Enter percentage from table below _____ %
4. Multiply line 3 by line 1. This is your Federal Tax Credit Savings. \$ _____

| Adjusted Gross Income | % of Expenses Eligible | | |
|-----------------------|------------------------|----------------------|-----|
| \$15,000 or less | 35% | \$29,001 to \$31,000 | 27% |
| \$15,001 to \$17,000 | 34% | \$31,001 to \$33,000 | 26% |
| \$17,001 to \$19,000 | 33% | \$33,001 to \$35,000 | 25% |
| \$19,001 to \$21,000 | 32% | \$35,001 to \$37,000 | 24% |
| \$21,001 to \$23,000 | 31% | \$37,001 to \$39,000 | 23% |
| \$23,001 to \$25,000 | 30% | \$39,001 to \$41,000 | 22% |
| \$25,001 to \$27,000 | 29% | \$41,001 to \$43,000 | 21% |
| \$27,001 to \$29,000 | 28% | \$43,001 and up | 20% |

Dependent Care Account Savings

5. Enter your total annual dependent care expenses (from above) \$ _____
6. Enter your federal income tax rate _____ %
7. Social Security and Medicare taxes 7.65%
8. Michigan State tax rate 4.00%
9. Local tax rate _____ %
10. Total tax rate (add lines 6, 7, 8, and 9) _____ %
11. Estimated Dependent Care Account tax savings (multiply line 10 by line 5) \$ _____

Compare the results on line 4 and 11 to determine if the Dependent Care Spending Account will help you save more in taxes. If your estimated federal tax credit is higher, you will probably want to use the tax credit instead of the reimbursement account.

Remember, tax laws are complex. The worksheets are designed to help you decide whether the Dependent Care Spending Account or the Federal Child Care Tax Credit is most advantageous for you. Actual tax savings will be determined by your annual earnings, your total exemptions and deductions, and current tax laws.