

The Dependent Care Flexible Spending Account (FSA) enables you to pay for out of pocket, work related dependent day care cost with pre tax dollars. If you are married, you can use the account if you and your spouse both work or, in some situations, if your spouse goes to school full time. Single employees can also use the account.

An eligible dependent is someone for whom you can claim expenses on Federal Income Tax Form 2441 "Credit for Child and Dependent Care Expenses." Children must be under age 13. Other dependents must be physically or mentally unable to care for themselves (including care for a parent). Dependent Care arrangements which qualify include:

- (a) A Dependent (Day) Care Center, provided that if care is provided by the facility for more than six individuals, the facility complies with applicable state and local laws;
- (b) An Educational Institution for pre school children. For older children, only expenses for non school care are eligible; and
- (c) An "Individual" who provides care inside or outside your home: The "Individual" may not be a child of yours under age 19 or anyone you claim as a dependent for Federal tax purposes.

Also, in order to have the reimbursements made to you from this account be excludable from your income, you must provide a statement from the service provider including the name, address, and in most cases, the taxpayer identification number of the service provider on your tax form for the year, as well as the amount of such expense as proof that the expense has been incurred. In addition, Federal tax laws permit a tax credit for certain dependent care expenses you may be paying for even if you are not a Participant in this Plan. You may save more money if you take advantage of this tax credit rather than using the Dependent Care Flexible Spending Account under our Plan. Please refer to the Dependent Care Credit vs. Dependent Care FSA Form or ask your tax adviser which is better for you.

Please see below for a list of eligible expenses (for a complete list, see IRS Publication 503: Child and Dependent Care Expenses).

Reimbursable Expenses:

- Nanny expenses, for services provided inside your home, are eligible to the extent they are attributable to dependent care expenses and expenses of incidental household services.
- Dependent care expenses incurred for services outside your home, providing they are incurred for the care of a qualifying dependent that regularly spends at least 8 hours per day in your home.
- Registration fees to a daycare facility are eligible as long as the fees are allocable to actual care and not described as materials or other fees.
- Nursery school expenses are eligible, even if the school also furnishes lunch and educational services.
- Food and incidental expenses (diapers, activities, etc.) may be eligible if part of dependent care charge.
- Expenses paid to a relative (e.g. child, parent or grandparent of participant) are eligible. However, the relative cannot be under age 19 or a tax dependent of the participant.
- Summer day camps your child attends in lieu of daycare.
- FICA and FUTA payroll taxes of the daycare provider are eligible.
- Dependent care expenses incurred to enable the employee to find work are eligible.

Reimbursement Limitations:

The reimbursement may not exceed the smaller of the following limits.

- The maximum allowed under the plan.
- \$5,000 (if you are filing a joint tax return) and \$2,500 if separate returns are filed.
- Your taxable compensation (after all compensation reduction elections).
- If you are married, your spouse's actual or deemed earned income.

Ineligible Expenses

- Kindergarten fees are almost always an education expense and should never be reimbursed under a Dependent Care FSA.
- Elementary school expenses for a child in first grade or higher are not eligible.
- Food, transportation and incidental expenses (diapers, activities, etc.) are not eligible if charged separately from dependent care expenses.
- Expenses paid to a housekeeper, maid, cook, etc. are not eligible, except where incidental to child or dependent adult care.
- Mass transit and parking.