Will You Be Able to Change Your Election?

You may change the designated amount of pretax earnings deposited into your FSA only at the beginning of each plan year, when there is a change in employment status or a change in family status. Family status changes, as well as your employer's designated plan year, can be found in the Summary Plan Description.

Examples of family and employment status changes may include:

- Marriage
- Divorce
- Birth of a child
- Adoption of a child
- Death of a spouse or child
- Loss or gain of employment

If you sign up for a Medical Reimbursement FSA and a Dependent Care FSA, you may not transfer money between the two accounts.

How Do You Enroll?

The decision to sign up for an FSA is entirely up to you. Add up your anticipated dependent care costs for this year based on your actual expenses from last year. Keep in mind upcoming employment or family status changes. Also be aware of anticipated dependent care expenses that were not expenses during the previous year. Once you total your costs, fill out a Flexible Benefit/FSA Enrollment Form, designating the amount you wish to have taken out of your paycheck.

Enrolling in a Dependent Care FSA does not affect your health benefits or other employee benefits. You do not need to change your current insurance coverage.

For more information about Dependent Care FSAs and how to enroll, contact your Human Resources department.

You also may contact TCC at (800) 815-3314.

For more information about medical reimbursement FSAs and how to enroll, contact your Human Resources department.

TCC Benefits Administrator℠

800-815-3314 // www.tccba.com

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Dependent Care Reimbursement Flexible Spending Account

Changing the Way You Save for Dependent Care

Would you like to save some of your pretax earnings to pay for your dependent care expenses? You can, with a Dependent Care Flexible Spending Account (FSA).

What Is an FSA?

The federal government created FSAs to help you pay for dependent care expenses. An FSA allows you to set aside pretax earnings. Then you can use these funds to pay for qualified expenses.

Each pay period, your employer takes your chosen amount of money out of your paycheck. Your employer places the money in your FSA before deducting any taxes.

During the year, you send requests to TCC for reimbursement of qualifying dependent care costs. Requests should include a reimbursement form and a care provider receipt. You'll be reimbursed with funds from your FSA. If your balance is less than the amount you request, you will only be reimbursed for the amount of money available in your account. The remainder will be reimbursed once the money is deposited in your FSA. The Internal Revenue Service (IRS) requires that receipts include the care provider's Social Security or tax ID number.

How Much Should You Contribute?

If you are single or married and filing a joint tax return, you can put up to $5,000 a year in your Dependent Care FSA. If you are married and filing a separate tax return, you can put up to $2,500 a year in your account. However, be careful when estimating your dependent care costs. The IRS established a "use it or lose it" rule. Under this strict rule, you must incur expenses for all money put in your FSA by the end of the plan year or you will lose the unused balance. Your employer has determined a period of time after the end of the plan year during which you may continue to request reimbursement from your FSA. This information can be found in your Summary Plan Description.

Carefully planning how much money you put in your FSA will mean more income for you. To help keep track of the amount of money in your FSA, you can view your balance online at www.tccba.com. Select Member then Flexible Spending Account.

What if Tax Laws Change?

Your employer will notify you if there are changes in the laws affecting your FSA.

Will Using Pretax Income Affect Social Security Benefits?

Choosing to use pretax dollars may result in a small reduction in your future Social Security retirement payments. For most employees, however, the money saved with your FSA during the years before retirement should offset any decrease in your Social Security retirement payments.

Will Using Pretax Income Impact How You File Your Taxes?

If you decide to participate in a Dependent Care FSA, you must complete IRS Form 2441 when filing your income taxes for the year. The IRS allows you to claim work-related dependent care costs for credit when you file your income tax return. You can use both a Dependent Care FSA and a tax credit, provided you do not claim the same expenses for both.

If you choose to use both, the IRS requires you to subtract the amount you have placed in your FSA from your tax credit. Not all people will benefit from participating in a Dependent Care FSA. Income levels and tax brackets should be considered. Generally, the tax credit is more beneficial for you than a Dependent Care FSA if your family income is under $24,000 per year. You should contact your legal or tax adviser to determine which method is best for your situation.

Jack knows he will spend at least $4,500 on dependent care. Let's look at his savings with and without a Dependent Care FSA:

HOW IT BENEFITS YOU

By using pretax dollars to fund your FSA, you pay fewer taxes. Here is an example of possible annual savings with an FSA.

Jack's estimated annual qualifying dependent care expenses include:

Out-of-home day care	$375 per month
Jack's total expenses:	$4,500 per year

	WITHOUT	WITH FSA
Annual gross income	$25,000.00	$25,000.00
Annual pretax election	0.00	$4,500.00
Taxable income	$25,000.00	$20,500.00
Taxes withheld*	$6,250.00	$5,125.00
Annual take-home pay	$18,750.00	$15,375.00
After-tax dollars spent on eligible health care expenses	$4,500.00	$0.00
Spendable income	$14,250.00	$15,375.00
Annual savings		$1,125.00

** Based on a 25 percent tax rate (includes federal, state and Social Security/FICA)*

With a Dependent Care FSA, Jack would take home $1,125 more in spendable income. If your employer allows you to pay for other benefits with pretax contributions, your earnings could be increased further. Your actual tax savings will depend on your overall tax bracket.

What Are Qualifying Expenses?

To participate in a Dependent Care FSA if you are married, you and your spouse both must work, or your spouse must be disabled or a full-time student.

Qualifying dependents include:

- Children under age 13 who qualify as your dependents for income tax purposes
- Mentally or physically disabled dependents, including children 13 and older, or elderly persons who qualify as dependents for income tax purposes

The Dependent Care FSA may be used to pay for dependent care costs, such as:

- In- and out-of-home day care
- Preschool day care
- Before- and after-school care
- Summer camp costs, except for overnight camps

A Dependent Care FSA may not be used to pay for medical expenses.
For a complete listing of qualifying and nonqualifying expenses, consult your tax adviser or visit the Internal Revenue Service (IRS) website at www.irs.gov.

TCC Benefits Administrator[SM]