

Dependent Care Reimbursement Account WORKSHEET

Should you use the Dependent Care Reimbursement Account (DCRA) or the Dependent Care Tax Credit on your Federal Income Tax Return? This worksheet will help you determine if the DCRA or the Dependent Care Tax Credit on your individual federal income tax return, will provide the most savings. Use this worksheet to estimate your savings and check with your tax consultant. The example shown on this worksheet is for a married couple who earn a combined income of \$45,000 a year, file a joint federal income tax return, have one dependent child, and spend in excess of \$5,000 on Day Care.

DEPENDENT CARE TAX CREDIT (2008)

1. Estimate your total annual earned income before taxes (include your spouse's income, if applicable).
2. Estimate your cost of dependent care. 1 Dependent = \$3,000 Annual Maximum. 2 or more dependents = \$6,000 Annual Maximum.
3. Based on your total earned income (Item 1), select the appropriate tax credit from the table below, and enter your percentage.

DEPENDENT CARE TAX CREDIT TABLE

Earned income	Tax Credit	Earned Income	Tax Credit
\$ 0 - 15,000	..... 35%	\$ 29,001 - 31,000	..... 27%
15,001 - 17,000	..... 34%	31,001 - 33,000	..... 26%
17,001 - 19,000	..... 33%	33,001 - 35,000	..... 25%
19,001 - 21,000	..... 32%	35,001 - 37,000	..... 24%
21,001 - 23,000	..... 31%	37,001 - 39,000	..... 23%
23,001 - 25,000	..... 30%	39,001 - 41,000	..... 22%
25,001 - 27,000	..... 29%	41,001 - 43,000	..... 21%
27,001 - 29,000	..... 28%	43,001 - and up	..... 20%

4. Multiply Item 2 by Item 3 to estimate your Dependent Care Tax Credit.

DEPENDENT CARE TAX SAVINGS

5. Estimate your adjusted gross income (Total taxable income, i.e. salary, dividends, interest, capital gains, etc.)
6. Less your personal exemption allowance (\$3,400 per exemption).
7. Less your itemized deductions or the standard deduction (\$5,350 single or \$10,700 for married filing jointly).
8. Taxable Income (Item 5 minus 6 and 7).
9. Enter marginal tax rate. To estimate your marginal tax rate, compare the amount shown in Item 8 with the table below.

SIMPLIFIED MARGINAL TAX TABLE

***** TAXABLE INCOME *****				Estimated Marginal Tax Rate*
Single Taxpayer		Married Filing Jointly		
\$ 0 - 7,825	\$ 0 - 15,650			23.65%
7,825 - 31,850	15,650 - 63,700			28.65%
31,850 - 77,100	63,700 - 128,500			38.65%
77,100 - 160,850	128,500 - 195,850			41.65%
160,850 - 349,700	195,850 - 349,700			46.65%

10. Estimate your cost of dependent care. If you are single, or married and file a joint income tax return, you can list expenses up to \$5,000. If you are married and file separate income tax returns, you can list expenses up to \$2,500.
11. Multiply Item 10 by Item 9 to estimate the tax savings.
Estimated DCRA Tax Savings

Your Calculations	Example
	45,000
	3,000
%	20%
	600
Your Calculations	Example
	45,000
	-10,200
	-10,700
	24,100
%	28.65%
	5,000
	1,432.50

WHICH IS BETTER?

In the example on this worksheet, the tax savings available under the Dependent Care Reimbursement Account are \$1,432.50, while using the Dependent Care Tax Credit provides a savings of \$600. To make sure the option you select is best for you, consult a tax adviser.

*Assumes 6% state tax rate and 7.65% FICA (FICA is reduced on an individual salary in excess of \$102,000 in 2008).