

9. Dependent Care Flexible Spending Accounts

The annual enrollment/open change period for the 2008 Dependent Care Flexible Spending Account Program begins Friday, October 26, 2007 and closes at 5:00 p.m. on Monday, November 26, 2007. Dependent Care Flexible Spending Account forms are available in the Department of Human Resource Services, Benefits Office, 3770 Beardshear Hall. You may also attend an open house, call 294-7680 or email us at: benefits@iastate.edu. The new plan year will begin January 1 with the January 2008 payroll.

When you enroll in the Dependent Care Flexible Spending Account, Iowa State University will deduct the amount you designate from your payroll check in pre-tax dollars (H-Base employees will have ½ of the monthly contribution deducted from the mid-month check and the other ½ from the last check of the month). These funds are reimbursed to you when you file the claim for your dependent day care expenses. ISU requires a minimum contribution of \$20 per month (\$240.00 per year). ISU allows you to participate up to the Internal Revenue Service (IRS) maximum contribution limit of \$5,000 per year; per tax household (\$416.66 per month for a 12 month pay). The amount you contribute to your Spending Account is tax exempt. You will not pay Federal or State Income tax or Social Security or Medicare tax on this money.

ANNUAL RE-ENROLLMENT IN THE DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT WILL NOT BE REQUIRED.

If you are currently enrolled in the Dependent Care Flexible Spending Account, your 2007 contribution election will automatically be your 2008 election. **You will need to complete a form only if you want to stop, increase or decrease your current contribution.**

REIMBURSEMENT

Wellmark Blue Cross/Blue Shield of Iowa will process Iowa State University employee reimbursement requests. Reimbursements for the 2008 plan year will begin February 2008. Reimbursement request forms are available in the Department of Human Resource Services, Benefits Office, 3770 Beardshear Hall and on the Benefits website.

All reimbursement requests must include:

1. A signed and itemized ISU Plan Flexible Benefits Request for Reimbursement Form.
2. The care provider's signature on the ISU Plan Flexible Benefits Request for Reimbursement Form or an itemized receipt or other verification of each expense claimed, indicating the dates of care and total charges.

WHAT ARE QUALIFIED DEPENDENT CARE EXPENSES?

Dependent care is defined as day care necessary for a dependent child (under the age of 13) or an adult, to allow an employee to work. A child over the age of 13, or a dependent adult must be physically or mentally disabled and reside in your home at least eight hours a day.

An eligible expense is any expense that is allowed by the Internal Revenue Service (IRS) as an itemized deduction. You may refer to IRS Publication 503 (available from the IRS, at the Ames Public Library, or on the Benefits website) for information on eligible expenses. Eligible expenses include:

- In-home day care,
- In-home nursing care,
- Day care at someone's home,
- Nursery school,
- Pre-school,
- Adult day care,
- Licensed dependent care centers if more than six individuals are cared for,
- Household services needed to care for the dependents as well as run the home. They include the services of a maid, baby-sitter, housekeeper, cook or cleaning person if their services are needed for the care of the dependent(s),
- Boarding school (only that part of the cost used for care of the dependent), and
- Summer day camp (if the cost compares reasonably with other alternatives and if the child does not spend the night.)
- Specialized day camps (even if the camp specializes in a particular activity such as computers or soccer and if the child does not spend the night),
- Transportation to and from care,
- Application fees and deposits (expenses are not reimbursable if the deposit is forfeited),
- Part-time work – employees that must pay for dependent care on a periodic basis that includes both work and non-work days, you can be reimbursed in full for those payments.

Eligible expenses are expenses incurred during the plan year (January 1 through December 31, 2008, or prior to your termination of employment). The determining factor is the actual date of services, not the date of billing or the date the bill is paid. You will have until March 31, 2009 to submit a reimbursement request for qualified 2008 plan year expenses.

*** Remember deadline for filing 2007 claims will be 3/31/2008.**

If you terminate your employment with Iowa State University, your contributions into your Dependent Care Flexible Spending Account plan will terminate at the end of the month in which your employment ends. If you have contributed funds remaining after your termination date, you can claim dependent care expenses for the remainder of the Plan Year until your contributions are depleted.

RESTRICTIONS

- If you are married, you may not be reimbursed unless your spouse works, attends school fulltime, or is incapable of self-care.
- You cannot be reimbursed for Dependent Care services provided by:
 - A person that you claimed as a dependent during the tax year, or
 - Your child who is under age 19 at the end of the tax year.
- Reimbursements may not be greater than the amount the lower-paid spouse earns. If your spouse is a fulltime student or incapable of self-care, your spouse will be regarded as having income of:
 - \$200 per month if there is one dependent or,
 - \$400 per month if there are two or more dependents.
- Eligible expenses do not include expenses for food or schooling unless these amounts cannot be separated from the total cost of care (e.g. lunch provided in a day care as part of the total cost).

SHOULD I ENROLL IN A DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT?

Deciding whether to use the Dependent Care Flexible Spending Account or the Federal and State Dependent Care Tax Credits can be complicated. As a general rule, if your family's adjusted gross income is higher than \$39,000, or your tax rate is 28% or higher, or you have one dependent and dependent care expenses exceed \$2,400, the Dependent Care Spending Account may be advantageous. If your annual adjusted gross household income is less than \$39,000, it may be advantageous to take the dependent care tax credit. Consult your tax advisor.

You cannot apply dependent care costs reimbursed through the Dependent Care Flexible Spending Account to the Federal Income Tax Credit for Child and Dependent Care. Furthermore, every dollar used in the Spending Account reduces the amount you can apply toward the Federal Tax Credit by one dollar. For example, if you have two or more children and your total care costs are \$4,800 per year, if you use the Spending Account for \$300 per month or \$3,600 for the year, you would still be able to use the remaining \$1,200 (\$4,800 - \$3,600) as a tax credit. If you use the Spending Account for \$416.66 per month, or the full \$5,000 for the year, you would not be able to claim the Tax Credit.

Note: Employees and their spouses with combined net incomes of \$40,000 or more cannot claim Iowa tax credits for dependent care expenses on their State income tax returns. The only way to reduce state tax on those expenses is through the use of the Dependent Care Flexible Spending Account.

ENROLLMENT INFORMATION

If you decide to enroll in the Dependent Care Flexible Spending Account, estimate anticipated dependent care expenses for the year. The total must divide evenly by the number of months you are paid. Use care in estimating expenses! If you do not incur expenses for the full amount during the plan year (January 1 through December 31), federal regulations mandate that remaining funds *may not be refunded to the employee*. Iowa State University uses forfeited funds to help defray the administrative costs of the plan.

Once you have made your Dependent Care Flexible Spending Account election for the plan year, you may not change your election except within 30 days of a “**family status change**”. A qualifying family status change does allow you to enroll in the Dependent Care Spending Account during the plan year. The change must be consistent with the underlying change in circumstance. The Internal Revenue Service specifically defines a “family status change” as:

- Marriage,
- Divorce or legal separation,
- Death of your spouse or dependent,
- Birth or adoption of a child,
- Change in child custody, or
- Change in you or your spouse’s employment status.

To newly enroll in the Dependent Care Flexible Spending Account for 2008, or to **increase or decrease** your contribution, or to **start or end** your participation, contact the Department of Human Resource Services, Benefits Office, 3770 Beardshear Hall, for a **Non-Supervisory Merit** Flexible Spending enrollment form or online form, see page 4 of guide. Complete the enrollment form and return it to the Benefits Office, 3770 Beardshear Hall.