



WORKSHEET What's MY best tax advantage?

Dependent Care Spending Account (DCSA) OR Dependent Care Tax Credit

Should you use the Dependent Care Spending Account (DCSA) or the Dependent Care Tax Credit on your federal income tax return? This worksheet will help you determine if the DCSA or the Dependent Care Tax Credit on your individual federal income tax return will provide the most savings for you. Use this worksheet to estimate your savings and check with your tax advisor.

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 expenses.



| Dependent Care Tax Credit | | Your Calculations | Example | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|------------------------|------------|---------------|------------|-------------------|-----|------------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|---------------------|-----|--|-----------------|
| 1. | Estimate your total annual earned income before taxes (include your spouse's income, if applicable) | | \$45,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | Estimate your cost of dependent care. 1 Dependent = \$3,000 annual maximum. 2 or more dependents = \$6,000 annual maximum. | | \$3,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | Based on your total earned income (Item 1), select the appropriate tax credit from the table below and enter your percentage. | | 20% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dependent Care Tax Credit Table | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Earned Income</th> <th style="text-align: left;">Tax Credit</th> <th style="text-align: left;">Earned Income</th> <th style="text-align: left;">Tax Credit</th> </tr> </thead> <tbody> <tr> <td>\$ 0 - 15,000 ...</td> <td>35%</td> <td>\$ 29,001 - 31,000 ...</td> <td>27%</td> </tr> <tr> <td>15,001 - 17,000 ...</td> <td>34%</td> <td>31,001 - 33,000 ...</td> <td>26%</td> </tr> <tr> <td>17,001 - 19,000 ...</td> <td>33%</td> <td>33,001 - 35,000 ...</td> <td>25%</td> </tr> <tr> <td>19,001 - 21,000 ...</td> <td>32%</td> <td>35,001 - 37,000 ...</td> <td>24%</td> </tr> <tr> <td>21,001 - 23,000 ...</td> <td>31%</td> <td>37,001 - 39,000 ...</td> <td>23%</td> </tr> <tr> <td>23,001 - 25,000 ...</td> <td>30%</td> <td>39,001 - 41,000 ...</td> <td>22%</td> </tr> <tr> <td>25,001 - 27,000 ...</td> <td>29%</td> <td>41,001 - 43,000 ...</td> <td>21%</td> </tr> <tr> <td>27,001 - 29,000 ...</td> <td>28%</td> <td>43,001 - and up ...</td> <td>20%</td> </tr> </tbody> </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% | | \$3,000 x 20% = |
| 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. | | \$600 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Dependent Care Spending Account (DCSA) Tax Savings | | Your Calculations | Example |
|--|--|------------------------------|-----------------------------|
| 5. | Estimate your adjusted gross income (total taxable income, i.e. salary, dividends, interest, capital gains, etc.) | | \$45,000 |
| 6. | Less your personal exemption allowance (\$3,700 per exemption) | | -\$11,100 |
| 7. | Less your itemized deductions or the standard deduction (\$5,800 single or \$11,600 for married filing jointly) | | -\$11,600 |
| 8. | Taxable income (Items 5, 6, 7) | | \$22,300 |
| 9. | To estimate your marginal tax rate, compare the amount shown in Item 8 with the table below. | | 28.65% |
| Simplified Marginal Tax Table | | | |
| *****Taxable Income***** | | | |
| Single Taxpayer | Married Filing Jointly | Estimated Marginal Tax Rate* | |
| \$ 0 - 8,500 | \$ 0 - 17,000 | 23.65% | |
| 8,501 - 34,500 | 17,001 - 69,000 | 28.65% | |
| 34,501 - 83,600 | 69,001 - 139,350 | 38.65% | |
| 83,601 - 174,400 | 135,351 - 212,300 | 41.65% | |
| 174,401 - 379,150 | 212,301 - 379,150 | 46.65% | |
| 379,151 and above | 379,151 and above | 48.65% | |
| 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. | | \$5,000 \$5,000 x 28.65% |
| 11. | Multiply Item 10 by Item 9 to estimate the tax savings by using a DCSA. | | \$1,432.50 |

Which is better? The example on this worksheet illustrates a tax savings of \$1,432.50 if using a Dependent Care Spending Account while the Dependent Care Tax Credit provides a savings of \$600. To insure you are making the best selection, please consult your tax advisor.

*Assumes 6% state tax and 7.65% FICA (FICA is reduced on an individual salary in excess of \$106,800 in 2011).