

# Dependent Care Assistance Plan vs. Tax Credit Worksheet

**STEP 1**

**Calculate your tax savings if you use the Dependent Care Tax Credit.**

**STEP 2**

**Calculate your tax savings if you participate in your employer's DCAP.**

**STEP 3**

**Decide which method gives you the GREATEST SAVING!**

Use this worksheet to decide whether you will save more money by participating in the Dependent Care Assistance Plan (DCAP) offered under your cafeteria plan throughout the year or by taking the Dependent Care Tax Credit after the end of the year when filing your income taxes. Note that:

- **This worksheet applies to the 2004 tax year.** Comparisons for later years needs to take into consideration changes in income tax rates, tax brackets, standard deductions, and Social Security taxes.
- This worksheet only compares federal income taxes and FICA taxes— not state income taxes.
- It is assumed that your employer does not contribute to the DCAP.
- Due to the technical nature of this and all personal tax considerations you are advised to consult with your tax advisor regarding this evaluation in light of your overall tax situation.

## Step 1:

### Estimate your Dependent Care Tax Credit

1. Enter the qualified dependent care costs you expect to pay. \$ \_\_\_\_\_  
*The maximum you can claim is \$3,000 for one child and \$6,000 for two or more children.*

2. Enter your applicable percentage as instructed below. \_\_\_\_\_ %

*You will need to estimate your adjusted gross income that you will report on your tax return. Include your wages, any interest income, and any other expected income. If you are married and filing a joint tax return, include your spouse's income. Using your estimated income, look at the table below to see the applicable percentage associated with your income*

**If your adjusted gross income is:**

Over:	But not over:	Your applicable % is
\$ 0.00 .....	\$ 15,000.00 .....	35%
\$15,000.00 .....	\$17,000.00 .....	34%
\$17,000.00 .....	\$19,000.00 .....	33%
\$19,000.00 .....	\$21,000.00 .....	32%
\$21,000.00 .....	\$23,000.00 .....	31%
\$23,000.00 .....	\$25,000.00 .....	30%
\$25,000.00 .....	\$27,000.00 .....	29%
\$27,000.00 .....	\$29,000.00 .....	28%
\$29,000.00 .....	\$31,000.00 .....	27%
\$31,000.00 .....	\$33,000.00 .....	26%
\$33,000.00 .....	\$35,000.00 .....	25%
\$35,000.00 .....	\$37,000.00 .....	24%
\$37,000.00 .....	\$39,000.00 .....	23%
\$39,000.00 .....	\$41,000.00 .....	22%
\$41,000.00 .....	\$43,000.00 .....	21%
\$43,000.00 .....	No Limit .....	20%

3. Calculate your estimated tax credit.
- a. Enter the amount from Step 1, Line 1 above. \$ \_\_\_\_\_
- b. Enter the percentage from Step 1, Line 2 above. \_\_\_\_\_ %
- c. Multiply Line 3a by Line 3b and enter result on Line 4 below.
4. **This is your estimated saving under the Dependent Care Tax Credit.** \$ \_\_\_\_\_

## Step 2:

### Estimate your savings from participating in your cafeteria plan's Dependent Care Assistance Plan (DCAP).

1. Enter your estimated adjusted gross income. \$ \_\_\_\_\_  
*Use the adjusted gross income that you would report on your tax return (including your wages, interest, income and other income). If you are married and you file a joint return, include your spouse's income in your adjusted gross income.*
2. Enter your salary reduction contributions for the DCAP. \$ \_\_\_\_\_
3. Subtract Line 2 from Line 1 and enter result. \$ \_\_\_\_\_
4. Enter your standard deduction or estimated itemized deductions. \$ \_\_\_\_\_  

<u>If your filing status is:</u>	<u>Your standard deduction is:</u>
Single	\$4,850
Head of Household	\$7,150
Married Filing Jointly or Qualifying Widow(er)	\$9,700
Married Filing Separately	\$4,850
5. Subtract Line 4 from Line 3 and enter result. \$ \_\_\_\_\_
6. Enter your personal exemptions \$ \_\_\_\_\_  
*\$2,900 for each person you claim as an exemption, including you, your spouse, and your children. Caution: Your personal exemption may be reduced or eliminated if your adjusted income is more than \$99,725. See IRS Publication 505 for more information.*
7. Subtract Line 6 from Line 5 and enter result. \$ \_\_\_\_\_  
This is your estimated taxable income.
8. Enter the tax bracket (according to table on next page) \_\_\_\_\_ %
9. Enter your salary reduction contributions for DCAP (Line 2) \$ \_\_\_\_\_
10. Multiply Line 9 by Line 8 and enter the result. \$ \_\_\_\_\_  
This is your estimated federal income tax savings.
11. Enter the applicable percentage as determined below. \_\_\_\_\_ %
  - 11a. If Line 1 is less than \$80,400 enter 7.65%
  - 11b. If Line 1 is more than \$85,400 than enter 1.45%
  - 11c. If Line 1 is between 80,400 and 85,400 (**Complete chart below**)

	Example	Your Amounts
E1. Subtract Line 1 (ex. \$83,400.00) from 80,400 and enter the results	\$3,400.00	\$ _____
E2. Multiply the difference by 1.45% and enter the results	\$ 49.30	\$ _____
E3. Enter Salary reduction contribution for DCAP from Line 2(ex. \$5,000)	\$5,000.00	\$ _____
E4. Subtract E3 from E1 and multiply by 7.65% and enter the results	\$ 122.40	\$ _____
E5. Add E2 and E4 and enter the results	\$ 171.70	\$ _____
This is your estimated FICA savings. Enter E5 in <b>Line 12</b>		

12. Multiply Line 9 by Line 11 and enter result. \$ \_\_\_\_\_  
This is your estimated FICA savings.
13. Add Line 10 and Line 12 and enter result on the line below.
14. **This is your estimated tax savings under the DCAP.** \$ \_\_\_\_\_

# Step 3:

## Which method saves you the most money?

1. Enter the amount from Step 1, Line 4 on Line 2 below.
2. **This is your estimated savings if you take the Dependent Care Tax Credit when you file your income tax return.** \$ \_\_\_\_\_
3. Enter the amount from Step 2, Line 14 on Line 4 below.
4. **This is your estimated savings under if you elect to participate in the DCAP under your employer's cafeteria plan.** \$ \_\_\_\_\_

Note: Each dollar you elect under the DCAP reduces by one dollar the amount of expenses you can claim under the Dependent Care Tax Credit.

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### 2004 Tax Table (for use with Step 2, Line 10)

If your filing status is: Single			If your filing status is: Head of Household		
If your taxable income is:		Your tax is:	If your taxable income is:		Your tax is:
Over:	But not over:		Over:	But not over:	
\$0	\$7,150	10% of taxable income	\$0	\$10,200	10% of taxable income
\$7,150	\$29,050	\$715 plus 15% of the excess over \$7,150	\$10,200	\$38,900	\$1,020 plus 15% of the excess over \$10,200
\$29,050	\$70,350	\$4000 plus 25% of the excess over \$29,050	\$38,900	\$100,500	\$5,325 plus 25% of the excess over \$38,900
\$70,350	\$146,750	\$14,325 plus 28% of the excess over \$70,350	\$100,500	\$162,700	\$20,725 plus 28% of the excess over \$100,500
\$146,750	\$319,100	\$35,717 plus 33% of the excess over \$146,750	\$162,700	\$319,100	\$38,141 plus 33% of the excess over \$162,700
\$319,100		\$92,592.50 plus 35% of the excess over \$319,100	\$319,100		\$86,328 plus 35% of the excess over \$319,100

If your filing status is: Married Filing Jointly and Surviving Spouses			If your filing status is: Married Filing Separately		
If your taxable income is:		Your tax is:	If your taxable income is:		Your tax is:
Over:	But not over:		Over:	But not over:	
\$0	\$14,300	10% of taxable income	\$0	\$7,150	10% of taxable income
\$14,300	\$58,100	\$1,430 plus 15% of the excess over \$14,300	\$7,150	\$29,050	\$715 plus 15% of the excess of \$7,150
\$58,100	\$117,250	\$8000 plus 25% of the excess over \$58,100	\$29,050	\$58,625	\$4000 plus 25% of the excess over \$29,050
\$117,250	\$178,650	\$22,787.50 plus 28% of the excess over \$117,250	\$58,625	\$89,325	\$11,393.75 plus 28% of the excess over \$58,625
\$178,650	\$319,100	\$39,979.50 plus 33% of the excess over \$178,650	\$89,325	\$159,550	\$19,989.75 plus 33% of the excess over \$89,325
\$319,100		\$86,328 plus 35% of the excess over \$319,100	\$159,550		\$43,164 plus 35% of the excess over \$159,550