

FEDERAL CHILDCARE TAX CREDIT VS. DEPENDENT CARE FSA

Estimate your federal taxable income and estimated federal income taxes by taking into consideration the standard deduction amounts and using the post JGTRRA income tax tables below:

	Standard Deduction (2003)		
<u>If your filing status is:</u>	<u>Your Standard Deduction is:</u>		<u>Your Personal Exemption for 2003:</u>
Single	\$4,750		3,050 for each person whom you claim as an exemption, including you, your spouse and your tax dependents.
Head of Household	\$7,000		
Married Filing Jointly or Qualifying Widower	\$9,500		
Married Filing Separately	\$3,975		

<u>2003 Tax Table: Married filing jointly</u>			
If taxable income is:	But not over	The tax is:	Of the amount over
\$ 0	\$ 14,000	10%	\$ 0
\$ 14,000	\$ 56,800	\$ 1,400.00 + 15%	\$ 14,000
\$ 56,800	\$114,650	\$ 7,820.00 + 25%	\$ 56,800
\$114,650	\$174,700	\$22,282.50 + 28%	\$114,650
\$174,700	\$311,950	\$39,096.50 + 33%	\$174,700
\$311,950	-----	\$84,389.00 + 35%	\$311,950

<u>2003 Tax Table: Single Head of Household</u>			
If taxable income is:	But not over	The tax is:	Of the amount over
\$ 0	\$ 10,000	10%	\$ 0
\$ 10,000	\$ 38,050	\$ 1,000.00 + 15%	\$ 10,000
\$ 38,050	\$ 98,250	\$ 5,207.50 + 25%	\$ 38,050
\$ 98,250	\$159,100	\$20,257.50 + 28%	\$ 98,250
\$159,100	\$311,950	\$37,295.50 + 33%	\$159,100
\$311,950	-----	\$87,736.00 + 35%	\$311,950

Locate your Federal Child Care Tax Credit percentage (used in the calculation) on the Adjusted Gross Income chart below:

<u>Adjusted Gross Income</u>		<u>Percentage</u>	<u>Adjusted Gross Income</u>		<u>Percentage</u>
Over	But not Over		Over	But not Over	
\$0	\$15,000	35%	\$29,000	\$31,000	27%
\$15,000	\$17,000	34%	\$31,000	\$33,000	26%
\$17,000	\$19,000	33%	\$33,000	\$35,000	25%
\$19,000	\$21,000	32%	\$35,000	\$37,000	24%
\$21,000	\$23,000	31%	\$37,000	\$39,000	23%
\$23,000	\$25,000	30%	\$39,000	\$41,000	22%
\$25,000	\$27,000	29%	\$41,000	\$43,000	21%
\$27,000	\$29,000	28%	\$43,000	no limit	20%

Remember for 2003 the maximum allowed for one qualifying dependent is \$3000 and the maximum allowed for two or more qualifying individuals is \$6000. The Federal Child Care Tax Credit is computed on IRS Schedule 2441 Part II.

To calculate your expected 2003 (non-refundable) Federal Childcare Tax Credit, multiply your eligible expense times the percentage from the chart above. Do not include any amounts already claimed in a Dependent Care FSA as they will be recorded in Box 10 of your W-2 and should be reported on IRS Form 2441 in Part III.

\$ _____ Qualifying Expense x _____ % = _____ Federal Child Care Tax Credit

Note: A Dependent Care FSA permits up to \$5000 in a calendar year, so it is possible to claim maximum FSA contributions and up to an additional \$1000 on the Federal Child Care Tax Credit for a taxpayer that has qualifying expenses for 2 or more children.

SAMPLE COMPARISONS**

\$6000 DEPENDENT CARE EXPENSES 2 ELIGIBLE DEPENDENTS MARRIED FILING JOINTLY (2003 TAX RATES)

Adjusted Gross Income

Over	But not Over	Credit Tax Savings	Flex* Tax Savings	Best Option
\$0	\$14,000	\$2,100	\$1,233	Credit
\$14,000	\$15,000	\$2,100	\$1,483	Credit
\$15,000	\$17,000	\$2,040	\$1,473	Credit
\$17,000	\$19,000	\$1,980	\$1,463	Credit
\$19,000	\$21,000	\$1,920	\$1,453	Credit
\$21,000	\$23,000	\$1,860	\$1,443	Credit
\$23,000	\$25,000	\$1,800	\$1,433	Credit
\$25,000	\$27,000	\$1,740	\$1,423	Credit
\$27,000	\$29,000	\$1,680	\$1,413	Credit
\$29,000	\$31,000	\$1,620	\$1,403	Credit
\$31,000	\$33,000	\$1,560	\$1,393	Credit
\$33,000	\$35,000	\$1,500	\$1,383	Credit
\$35,000	\$37,000	\$1,440	\$1,373	Credit
\$37,000	\$38,050	\$1,440	\$1,373	Credit
\$38,050	\$39,000	\$1,380	\$1,363	Credit
\$39,000	\$41,000	\$1,320	\$1,353	Flex
\$41,000	\$43,000	\$1,260	\$1,343	Flex
\$43,000	\$56,800	\$1,200	\$1,333	Flex
\$56,800	\$87,000	\$1,200	\$1,833	Flex
\$87,000	\$114,650	\$1,200	\$1,523	Flex
\$114,650	\$174,700	\$1,200	\$1,673	Flex

*Flex Savings is based upon the \$5000 maximum allowed in the Section 125 plan.

Remember that 2003 will be the first tax filing year that a participant with 2 qualifying dependents and a dependent care expense of \$6000 or more will be able to run \$5000 through the flex plan and take another \$1000 through the Child Care Tax Credit on their income taxes.

\$5000 DEPENDENT CARE EXPENSES 1 ELIGIBLE DEPENDENT MARRIED FILING JOINTLY (2003 TAX RATES)

Adjusted Gross Income

Over	But not Over	Credit Tax Savings	Flex* Tax Savings	Best Option
\$0	\$10,000	\$1,050	\$ 833	Credit
\$10,000	\$15,000	\$1,050	\$1,133	Flex
\$15,000	\$17,000	\$1,020	\$1,133	Flex
\$17,000	\$19,000	\$ 990	\$1,133	Flex
\$19,000	\$21,000	\$ 960	\$1,133	Flex
\$21,000	\$23,000	\$ 930	\$1,133	Flex
\$23,000	\$25,000	\$ 900	\$1,133	Flex
\$25,000	\$27,000	\$ 870	\$1,133	Flex
\$27,000	\$29,000	\$ 840	\$1,133	Flex
\$29,000	\$31,000	\$ 810	\$1,133	Flex
\$31,000	\$33,000	\$ 780	\$1,133	Flex
\$33,000	\$35,000	\$ 750	\$1,133	Flex
\$35,000	\$37,000	\$ 720	\$1,133	Flex
\$37,000	\$38,050	\$ 690	\$1,133	Flex
\$38,050	\$39,000	\$ 690	\$1,133	Flex
\$39,000	\$41,000	\$ 660	\$1,633	Flex
\$41,000	\$43,000	\$ 630	\$1,633	Flex
\$43,000	\$87,000	\$ 600	\$1,633	Flex
\$87,000	\$98,250	\$ 600	\$1,333	Flex
\$98,250	\$159,100	\$ 600	\$1,483	Flex

*Flex Savings is based upon the \$5000 maximum allowed in the Section 125 plan and the Credit Tax Savings is based upon the \$3000 maximum eligible for one dependent in the credit calculation.

**Comparisons do not take into consideration state or local tax savings.

SAMPLE COMPARISONS**

\$6000 DEPENDENT CARE EXPENSES 2 ELIGIBLE DEPENDENTS SINGLE HEAD OF HOUSEHOLD (2003 TAX RATES)

Adjusted Gross Income

Over	But not Over	Credit Tax Savings	Flex* Tax Savings	Best Option
\$0	\$10,000	\$2,100	\$ 833	Credit
\$10,000	\$15,000	\$2,100	\$1,133	Credit
\$15,000	\$17,000	\$2,040	\$1,133	Credit
\$17,000	\$19,000	\$1,980	\$1,133	Credit
\$19,000	\$21,000	\$1,920	\$1,133	Credit
\$21,000	\$23,000	\$1,860	\$1,133	Credit
\$23,000	\$25,000	\$1,800	\$1,133	Credit
\$25,000	\$27,000	\$1,740	\$1,133	Credit
\$27,000	\$29,000	\$1,680	\$1,133	Credit
\$29,000	\$31,000	\$1,620	\$1,133	Credit
\$31,000	\$33,000	\$1,560	\$1,133	Credit
\$33,000	\$35,000	\$1,500	\$1,133	Credit
\$35,000	\$37,000	\$1,440	\$1,133	Credit
\$37,000	\$38,050	\$1,380	\$1,133	Credit
\$38,050	\$39,000	\$1,380	\$1,633	Flex
\$39,000	\$41,000	\$1,320	\$1,633	Flex
\$41,000	\$43,000	\$1,260	\$1,633	Flex
\$43,000	\$87,000	\$1,200	\$1,633	Flex
\$87,000	\$98,250	\$1,200	\$1,333	Flex
\$98,250	\$159,100	\$1,200	\$1,483	Flex

*Flex Savings is based upon the \$5000 maximum allowed in the Section 125 plan and the Credit Tax Savings is based upon the \$6000 maximum eligible for two qualifying dependents in the credit calculation.

\$5000 DEPENDENT CARE EXPENSES 1 ELIGIBLE DEPENDENT SINGLE HEAD OF HOUSEHOLD (2003 TAX RATES)

Adjusted Gross Income

Over	But not Over	Credit Tax Savings	Flex* Tax Savings	Best Option
\$0	\$10,000	\$1,050	\$ 833	Credit
\$10,000	\$15,000	\$1,050	\$1,133	Flex
\$15,000	\$17,000	\$1,020	\$1,133	Flex
\$17,000	\$19,000	\$ 990	\$1,133	Flex
\$19,000	\$21,000	\$ 960	\$1,133	Flex
\$21,000	\$23,000	\$ 930	\$1,133	Flex
\$23,000	\$25,000	\$ 900	\$1,133	Flex
\$25,000	\$27,000	\$ 870	\$1,133	Flex
\$27,000	\$29,000	\$ 840	\$1,133	Flex
\$29,000	\$31,000	\$ 810	\$1,133	Flex
\$31,000	\$33,000	\$ 780	\$1,133	Flex
\$33,000	\$35,000	\$ 750	\$1,133	Flex
\$35,000	\$37,000	\$ 720	\$1,133	Flex
\$37,000	\$38,050	\$ 690	\$1,133	Flex
\$38,050	\$39,000	\$ 690	\$1,633	Flex
\$39,000	\$41,000	\$ 660	\$1,633	Flex
\$41,000	\$43,000	\$ 630	\$1,633	Flex
\$43,000	\$87,000	\$ 600	\$1,633	Flex
\$87,000	\$98,250	\$ 600	\$1,333	Flex
\$98,250	\$159,100	\$ 600	\$1,483	Flex

*Flex Savings is based upon the \$5000 maximum allowed in the Section 125 plan and the Credit Tax Savings is based upon the \$3000 maximum eligible for one qualifying dependent in the credit calculation.

**Comparisons do not take into consideration state or local tax savings.