

It's Your Money

Remember This...

It is important to remember that the money you declare as a dependent care expense will not be released until you present proof of payment from a care provider. When you start our program we allow you to submit proof of the previous months expense for dependent care; the next month you can use the previous months proof of payment and so on. By doing that you will be able to submit, at the beginning of each month, proof of payment so that the money that is set aside for dependent care can be released to you in that months paycheck.

American Mutual Benefits' Section 125 **NOW** Cafeteria Plan is a great way to put money in your pocket and at the same time, help your company to save money. Since 1984, dependent care deduction programs have proven to be a real help to families with dependent care needs.

More Good News

Your dependent care claims also count toward reward programs for participants.



...Keep More of It!®

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Section 125 Cafeteria Plan
Dependent Care Reimbursement

Good News

Section 125 of the Internal Revenue Code, referred to as the Cafeteria Plan, makes it possible for you to deduct dependent care expenses from your taxable income, thereby reducing your payroll taxes, and increasing your "take-home" pay.

Plan Administration

The dependent care plan requires you to declare at the beginning of the plan year how much is to be set aside each month for dependent care. That declared amount **cannot** vary from month to month, but remains constant (with few exceptions). The

maximum you can declare is \$5,000 per year or, if married and filing separate tax returns, then, \$2,500 each per year.



"This plan is very easy to follow."

Only those dependent care expenses which allow you (and your spouse) to be gainfully employed are eligible. This excludes care which is primarily for medical or educational purposes.

Who's Eligible

Eligible dependents are children who are 12 years of age or less, or any other dependent who is incapable of caring for himself or herself and whose principal residence is your home.

Eligible providers are:

Licensed day care centers which care for six or more persons. Unlicensed providers caring for fewer than six persons; an in-home provider, as long as that provider is not your child or under the age of 19 or someone you and your spouse claim as a dependent for tax purposes.

You must have evidence of these providers billing you for services rendered and that they are a bona fide business or service person with a social security number or tax ID number.



How It's Done

You file a reimbursement claim with us each month and provide a copy of your monthly dependent care billing. Once we receive your claim, with the copy of the dependent billing, we will process your claim and then notify

your company to release the monthly amount you had set aside without taxing the money. Setting aside the money and releasing it normally occurs in the same paycheck. We do charge you a monthly processing fee for this service.

Your declaration of the amount you wish to set aside monthly cannot be changed during the year except where there has been a material change in your status, i.e. marriage, divorce, birth or loss of a child. You'll find a specific form to report these changes on our website.

Please note that if a spouse works part-time then the amount of day care that can be claimed is that amount that enables them to work.

The following example is based on a person being in a 25% tax bracket when combining State & Federal taxes, with \$416.66 per month in day care expenses.

	Without 125 Plan	With 125 Plan
Gross Income	\$2000	\$2000
Less: Our Plan Deductions	-\$0	-\$421.66 ¹
Taxable Income	\$2000	\$1578.34
Gross Income	\$2000	\$2000
Taxes & Fees	-\$500	-\$399.59 ²
Take Home Pay	\$1500	\$1600.41

¹ Deductions are: \$416.66 day care, \$5 fee.
² Tax deductible fees from footnote 1 included.

This example does not include the added deductions that would be available through claims of the unreimbursed medical expense portion of the Section 125 **NOW** Plan.