



Tax Benefits for Parents

Federal Tax Benefits

Dependent Care Tax Credit

This credit enables parents to deduct eligible child care expenses from their total annual income tax liability and can represent a substantial savings. For additional information, request Publication 503 from the Internal Revenue Service. Call the IRS toll free at 1-800-TAX-1040 or visit www.irs.ustreas.gov.

Earned Income Tax Credit (EIC)/Advanced Earned Income Credit

The EIC is a special tax benefit for working people who earn low or moderate incomes. Workers who qualify and who file tax returns can get back some or all of the federal income taxes that were deducted from their take home pay throughout the year. The advanced EIC allows those workers who qualify to receive a portion of their income tax refund in advance...added to each paycheck throughout the year. Even those families whose incomes are too small to have paid taxes can receive the EIC. For more information call the IRS toll free at 1-800-TAX-1040 or visit www.irs.ustreas.gov.

Dependent Care Assistance Plans (DCAPs)

Though primarily a tax benefit for employees, Dependant Care Assistance Plans (DCAPs) are another employee benefit tool that provides a tax incentive to both the employee and the employer. A DCAP is a type of flexible spending account that allows an employee to set aside a certain amount of their monthly income to pay for dependent care. The tax benefit is that neither the employee nor the employer pays income or FICA taxes on the amount used for dependent care if the benefit is offered under a "cafeteria plan as defined in Internal Revenue Code Section 125.

You should further discuss these relevant tax laws with your accountant and/or tax counsel.