



TAX INFORMATION RELATED TO BACK-UP CARE UTILIZATION FOR CHILDREN THROUGH THE BRIGHT HORIZONS BENEFIT

To ensure compliance with current IRS standards and practices, Brown University may withhold and report taxes on certain dependent care benefits received through Bright Horizons, which are subsidized by Brown University.

What are the taxable benefits?

If the total of your back-up care utilization for children in a calendar year (or total of your back-up care utilization for children plus your annual Dependent Care Flexible Spending Account (FSA) usage) exceeds the annual \$5,000 tax-free limit allowed by the IRS, amounts over \$5,000 will be considered imputed (taxable) income.

EXAMPLE ONE:

- ◆ **Dependent Care FSA:** You have elected and used \$5,000 in your dependent care FSA.
- ◆ **Back-up Care Utilization:** You have also used 5 days of in-home care for two well children at a total value of (\$227 per day - \$32 copays= \$195 per day). Total value of back-up care utilization= \$975

Your total dependent care benefit (FSA election usage plus backup care benefit utilization) is \$5,975. This exceeds the \$5,000 IRS tax-free limit by \$975.

In this example, you would see additional tax withholdings.

EXAMPLE TWO:

- ◆ **Dependent Care FSA:** You have elected \$3,000 in your dependent care FSA.
- ◆ **Back-up Care Utilization:** You have used 10 days of center-based care at a total value (\$93 per day - \$25 family copay = \$68 per day). Total value of back-up care utilization= \$680

Your total dependent care benefit is \$3,680. Because this does not exceed the IRS tax-free limit, in this example, you would **not** see any additional tax withholdings.

Please note: The fair market value of care may fluctuate.

This information is provided for your general review only. Brown cannot provide personal tax advice. Please consult a tax professional for guidance on your individual tax situation.