

How to Collect Your HUCTW Childcare Fund Award Money: Pros and Cons of the Two Methods

Collect your award money through a Flexible Spending Account (Tax Free)	Collect your award money through the HUCTW Office (Taxed at 38%)
HOW IT WORKS:	HOW IT WORKS:
<p>You may put up to \$5000 into a tax-free Flexible Spending Account (FSA) for dependent care expenses. You can put your Childcare Fund award into the FSA, as well as money from your own paycheck, if you choose. In order to enroll in the FSA, you just fill out the PDF form that we provide and submit it to the Harvard Benefits Office by the Open Enrollment deadline (do not use PeopleSoft).</p> <p>A company called Benefit Strategies will manage your Flexible Spending Account. As you accrue childcare expenses throughout the year, you can submit those expenses to Benefit Strategies for reimbursement. They will reimburse you using your award money, either by check in the mail, or by direct deposit. Or you may use the FSA “debit card” that Benefit Strategies will provide to you to pay for expenses directly.</p> <p>Be sure to read this entire document if you have never used an FSA before.</p>	<p>This is the default method of collecting your award, if you don’t elect to put your money into an FSA. If you use this method, your award will be taxed at a rate of about 38%. You will likely get some of this money back, when you do your taxes.</p> <p>Each quarter, you will need to fill out a “Verification Form.” On this form you list your childcare expenses for that three-month period. Your childcare provider then needs to sign it to verify that these expenses are accurate. You submit this form to the HUCTW office by email, fax, or mail.</p> <p>HUCTW will then work with the payroll office to deposit three months worth of your Childcare Fund award into your paycheck.</p>
MAJOR PROS:	MAJOR PROS:
<ul style="list-style-type: none"> You do not have to pay taxes on your award money, so if you receive an award from us for \$3000, you will actually receive the entire \$3000, as long as you submit at least \$3000 in eligible childcare expenses to Benefit Strategies during the year. You can apply to Benefit Strategies for reimbursement anytime during the year; you don’t have to wait for a particular date to apply. 	<ul style="list-style-type: none"> Public kindergarten and the daytime portion of overnight camp are considered eligible childcare expenses if you apply for reimbursement through the HUCTW Office (whereas, if you put your award money into an FSA, these expenses are not eligible.)
MAJOR CONS:	MAJOR CONS:
<ul style="list-style-type: none"> If you put your award money in an FSA, public 	<ul style="list-style-type: none"> You have to pay a high tax rate on your

kindergarten and the daytime portion of overnight camps are not considered to be eligible expenses. You can see the full list of FSA eligible expenses on the Benefit Strategies website.

- If you put your award money in an FSA and you do not use all of it, you lose whatever portion you don't use. Additionally, you may have to pay taxes on the unused portion. Don't put your award money into an FSA unless you know you will have enough childcare expenses to use up all or most of the award.

Childcare Fund award money (about 38%). For example, if we give you an award of \$3000, approximately \$1140 of that money goes towards taxes, so your actual award will be \$1860 after taxes. You will get some of this back when you do your taxes, but not all of it.

- If you choose to have your award money delivered through the HUCTW office and you do not use all of your award money, you will lose whatever you don't use. Additionally, if your actual expenses are much less than what you originally estimated on your application, **we may need to lower your award.**
- You can only apply for reimbursement once every three months.

IMPORTANT -- If you want to collect your award money through a tax-free FSA:

It is critical that you use the PDF form we will provide in your award letter if you choose to put your Childcare Fund award money into a Flexible Spending Account (FSA). Do **not** enroll in an FSA using PeopleSoft. If you use PeopleSoft to sign up for the Dependent Care FSA, all of the money for the FSA will be deducted from your paycheck and **not** from the award money. Whereas, if you use our PDF form, you can put your Childcare award money in the FSA, **and** you can put money from your paycheck in as well, if you choose.

You can put up to \$5000 total in the FSA if you file your taxes as "single" or "married, filing jointly," or you can put up to \$2500 in your FSA if you file your taxes as "married, filing separately." You can find more information on how Flexible Spending Accounts work here: <https://www.benstrat.com/services-fsa/>.

You can only claim expenses up to the amount that has accrued in your FSA. For example, even if you accumulate all of your childcare expenses during the summer months, you will not receive your full award until the last pay period in December. Funds accumulate on the same schedule as our paychecks and you will see the fund accumulation on your paystub.

If you are expecting your first child, you cannot elect an FSA at this time. You may elect to have your HUCTW Childcare award in an FSA during your "life-changing event open enrollment" (a 30 day period after the birth of your child during which you can change your benefits) by contacting Michelle Todd in the Harvard Benefits Office.

IMPORTANT -- If you want to collect your award money through the HUCTW office:

If you choose to collect your money from the HUCTW Office, you may want to consider filling out the Dependent Care Tax Credit form (IRS Form 2441) when you do your taxes. Doing this may enable to you to get back some of the 38% tax that will be withheld initially: <https://www.irs.gov/pub/irs-pdf/f2441.pdf>