

YOUR CHILD/ELDER CARE REIMBURSEMENT ACCOUNT (CECRA)

The **CECRA** allows you to use **pre-tax** dollars to cover eligible child/elder care expenses that allow you to work. If you are married, you and your **lawful spouse** must be working, or your **lawful spouse** must be a full-time student or incapable of self-care.

Also see “Federal Dependent Care Tax Credit” for important information.

Who Is Covered Under the CECRA

For an expense to be eligible under the **CECRA**, it must be for the care of a **CECRA dependent**.

Eligible Child/Elder Care Expenses

This section lists some of the most common expenses that may qualify for reimbursement under the **CECRA**. If you want to determine if a particular expense is covered, call the **Avaya Health and Benefits Decision Center** (see “Important Contacts”). You also may consult IRS publication 503 for detailed information about eligible expenses. This publication is available from your local IRS office, through the Internet at www.irs.ustreas.gov, or you may call 1-800-829-1040 to request a copy.

Examples of child/elder care expenses that may be eligible for reimbursement under your **CECRA** include:

- Fees for preschool
- Fees for child care or adult care centers that comply with state and local regulations
- What you pay for eligible child or elder care inside or outside your home
- Costs of housekeepers whose duties include child or elder care
- The amount you pay relatives who care for your **CECRA dependents**, as long as you do not claim them as dependents on your income tax return (payments to your child may be made only if that child is at least age 19)
- Fees for people who care for an elderly or incapacitated **CECRA dependent**
- Fees for before-school and after-school day care programs, provided they are itemized separately from any tuition expenses

For more information, see “Ineligible Child/Elder Care Expenses.”

Ineligible Child/Elder Care Expenses

Not all child/elder care expenses are eligible for reimbursement under the **CECRA**. Some examples of child/elder care expenses that are *not* eligible for reimbursement under your **CECRA** include:

- Expenses for food, clothing, or education of a **CECRA dependent** (including kindergarten)
- Expenses for transportation between your house and the place where dependent care services are provided, or to pick up a baby-sitter
- Expenses for which you use the Federal Dependent Care Tax Credit
- Expenses to attend first grade or a higher grade
- Expenses for overnight camps
- Health care expenses (these are reimbursable only through the **HCRA**)

Federal Dependent Care Tax Credit

The IRS makes available a federal tax credit for dependent care expenses. However, you cannot claim the same expenses under the Federal Dependent Care Tax Credit as you do under the **CECRA**.

Child/elder care tax worksheets are available from the IRS to help you determine if the federal tax credit or **CECRA** is best for you. Also, you may want to consult a tax advisor about your own situation.

Special Rules for the CECRA

The following special rules apply to the **CECRA**:

- If you are married, you and your **lawful spouse** may both participate in a child/elder care reimbursement account. However, the following limits apply:
 - If you file a joint federal income tax return, your combined total annual contribution (including the company match) cannot exceed \$5,000.
 - If you file separate returns, each of you may contribute (including the company match), up to \$2,500.

- The annual amount you contribute to your **CECRA** cannot be more than your income or your **lawful spouse's** income, whichever is lower. For instance, if you earn \$30,000 a year and your **lawful spouse** earns \$4,500, the maximum your family can set aside (including the company match) for eligible child/elder care expenses is \$4,500.
- If your **lawful spouse** is a full-time student, or if he or she is disabled and has no income, the IRS assumes your **lawful spouse's** income is \$200 a month if you claim expenses for one **dependent**, and \$400 a month if you claim expenses for two or more eligible dependents.
- If you are single or divorced, you may contribute (including the company match) the full \$5,000 each year.
- If you are a highly compensated employee (generally an employee whose annual compensation exceeds \$90,000) and a **CECRA** participant, your **CECRA** contribution may need to be reduced during the Plan Year in order to ensure compliance with IRS nondiscrimination testing requirements. If your contributions need to be reduced you will be notified in writing.

Filing a Claim

You must file a claim to request reimbursement for eligible child/elder care expenses. For more information, see "Claims."