



Dependent Care Flexible Spending Account

The Dependent Care Flexible Spending Account (FSA) is a great way to use tax-free dollars to pay for eligible child care expenses. It allows you to set aside tax-free dollars to pay eligible expenses. You do not pay taxes on the money that goes into the FSA or on the reimbursement you receive. You must enroll in the Dependent Care FSA each year in order to contribute. Your FSA election will not carry over to the following year.

Use It or Lose It!

The Dependent Care FSA is a “use it or lose it” account; you must incur claims through the grace period, ending March 15 in the following plan year. You will then have until April 30 to claim reimbursement; otherwise you will forfeit any remaining balance.

Dependent Care FSA

If you have a child(ren) or other eligible dependents who require care while you are at work, the Dependent Care FSA can help you save money on your cost for this care. Expenses may be reimbursed through the FSA only if they are incurred to provide care for your eligible dependents while you work. If you are married, your spouse must also work, be looking for work, be a full-time student, or be disabled.

Eligible dependents are those who live with you at least half of the year and who are:

- Your children under the age of 13, or
- A disabled spouse or other disabled dependent (e.g., a parent or spouse's parent) who spends at least half the year at your home.

Eligible dependent care expenses include:

- “Employment related” child care or “babysitting” services from someone other than a dependent of yours or your spouse’s. To be considered “employment related,” the expense must be necessary to allow you and your spouse to work, actively seek work, or attend school. Please note that you will be required to provide the name and Social Security/tax identification number of the care provider when you submit a claim for reimbursement.
- Child care at a licensed nursery school, camp (not including overnight camps), or child care center that provides day care.
- Services related to the care of an elderly or disabled adult who lives with you at least half of the year.

SOME POINTS TO CONSIDER ABOUT THE DEPENDENT CARE FSA

- Since you do not pay Social Security taxes on your Dependent Care FSA contributions, your future Social Security benefit could be slightly reduced.
- You will not be able to change your Dependent Care FSA election until the next annual enrollment period, unless you have a qualified change in status.
- You can continue to use the remaining balance in your Dependent Care FSA for eligible expenses even if you are no longer an employee. The deadline for any claims submission is the same as that for an active employee.
- When you submit an expense to your Dependent Care FSA, you will be reimbursed up to the amount that is in your Dependent Care FSA account at that time.
- Use of the Dependent Care FSA will reduce — dollar for dollar — the amount you may claim as a child care tax credit, up to the contribution limit of \$5,000. You may claim the amount you spend above \$5,000 for the child care tax credit if you have more than one child. In most cases, the FSA will be more beneficial if your total annual gross income is \$45,000 or more. However, your tax situation may be different so you may want to consult with a tax advisor before making your election.
- There may be a gap between the IRS Dependent Care limit and the IRS individual tax credit limit. Therefore, you may have some additional dependent care expenses in excess of the Dependent Care FSA contribution limit that you can claim on your income tax return. Check with your accountant or financial advisor.
- The government requires all companies that sponsor Dependent Care FSAs to conduct periodic tests to make sure the plan does not favor Highly Compensated Employees (HCEs) with respect to eligibility and benefits. If a plan fails one of these tests, HCEs may be required to reduce their contributions to their FSA.