



Dependent Care Flexible Spending Account

The Dependent Care Flexible Spending Account (FSA) offers you an IRS-approved, tax-free way to pay for your eligible out-of-pocket dependent care expenses. If you choose to contribute to an FSA, pre-tax dollars—money that's not subject to federal income and Social Security taxes—will be deducted from your pay each pay period to use for eligible dependent care expenses. You do not pay any taxes on the dollars that you contribute to an FSA and you do not pay any taxes on the reimbursement you receive.

How the Dependent Care FSA Works

If you have children 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. Each year, you can contribute between \$200 and \$5,000 to the Dependent Care FSA.

Expenses may be reimbursed through the Dependent Care 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 a full-time student or be disabled. When you submit an expense, you will be reimbursed up to the amount that is in your Dependent Care FSA at that time. You are required to provide the name and Social Security/tax identification number of the care provider when you submit a claim for reimbursement.

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

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

Contribution Limits for Married Employees

Under IRS regulations, the maximum annual Dependent Care FSA contribution is \$5,000 for a married employee filing jointly and \$2,500 for a married employee filing a separate income tax return. A married employee who elects to contribute more than \$2,500 must be sure the total of any contributions made (when combined with any Dependent Care FSA contributions that his or her spouse may make) will not exceed \$5,000 in any calendar year.

About Dependent Care Tax Credits

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.

SOME POINTS TO CONSIDER

As you decide how much you want to contribute to the FSA, be sure to consider the following points:

- You must actively enroll in the Dependent Care FSA each year. Your current contribution amounts will not automatically carry over to next year.
- You will not be able to change your FSA election until the next annual enrollment period, unless you have a qualified change in status.
- Only eligible expenses incurred while you are a participant can be reimbursed.
- Expenses paid through the FSA cannot be claimed as a tax deduction.
- Since you do not pay Social Security taxes on your contributions, your future Social Security benefit could be slightly reduced.
- Use it or lose it! In exchange for the favorable tax breaks, the IRS requires that any money left in your FSA that is not used for eligible expenses by the deadline will be forfeited. In other words, if you do not use the money, you will lose it.

Eligible Dependent Care Expenses

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 or actively seek work.
- Child care at licensed nursery schools, camps (not including overnight camps) and child care centers that provide day care.
- Services related to the care of an elderly or disabled adult who lives with you at least half of the year.

Important Notes:

- 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.
- We do not offer a Health Care Flexible Spending Account arrangement since you can set aside pre-tax dollars for qualified health care expenses within your Health Savings Account (HSA).