

Dependent Care FSA Explained

What is a Dependent Care Account (DCA)?

A DCA is an employer-established benefit plan. It is a tax favored account that allows you to set aside pre-tax money (meaning not subject to federal, state, or FICA taxes) for eligible dependent care expenses, such as child daycare, or adult dependent care, allowing you and your spouse to work, look for work, or attend school full-time. And because you don't pay tax on the money you set aside, your take home pay increases!

What are eligible expenses?

Eligible expenses for the Dependent Care Account relate to dependent children under age 13 who can be claimed on your tax return, or a spouse or dependent of any age who is incapable of self-care.

Examples of services you can pay for with a Dependent Care Account (DCA):

- Licensed Day Care Facilities
- Before- and after-school care (not tuition)
- Care of an incapacitated adult who lives with you for at least eight hours a day
- Child care at a day camp, preschool, or by a private sitter

Certain expenses that are ineligible for reimbursement through your DCA plan:

- Nursing home or residential care center expenses
- Babysitting expenses incurred at night that are not work related
- Expenses that you are already claiming for dependent care tax credit on your income tax return (Form 2441)
- Payments to your dependent, under age 19, that is caring for another dependent of yours
- Costs of schooling for a student at kindergarten or higher grade level
- Costs of dependent care if you are absent from work for more than two weeks.

How does a DCA work?

Enrollment

Step 1: Consider carefully the amount of dependent care expense that you will incur. Once your plan year begins, you are only able to change or revoke your annual election amount in the case of a qualifying event, such as a change of marital status, new child, etc. And if you don't use your money in the plan year, it will be forfeited.

A DCA will not automatically renew each year, so you will need to re-enroll to participate.

Step 2: Determine the amount of your annual election for the plan year. The maximum annual amount you can contribute to your DCA is set by the IRS. The maximum annual amount allowed by the IRS in 2017 is \$5,000 per household.

For example:

- \$2500 each parent for married parents filing taxes separately
- \$5000 for married parents filing taxes jointly (this amount may be split between parents if both are offered a DCA, however cannot exceed a total of \$5000)
- \$5000 for a single parent

Step 3: Contact your Human Resources department about how to enroll and for the enrollment deadline. Often an online enrollment option is available.

Your Paycheck/Your Money

The amount of your DCA election will be deducted regularly from your paycheck by your employer on a pre-tax basis, and credited into your DCA account over the course of the plan year.

Reimbursement from a DCA

You can submit claims at any time, however, unlike a Medical FSA, the full funds from a DCA are not immediately available at the start of your plan year. Your claims are reimbursed as funds come available from paycheck deductions deposited into your account.

To submit a claim for reimbursement, you will need to submit a claim form along with itemized receipts from your daycare provider that include the following:

- Date(s) of service
- Type of service
- For whom service was provided
- Amount of expense

If your daycare provider does not provide receipts, they can instead sign the appropriate box on the claim form to certify that the services indicated on the claim form are correct.

You also have the option to complete an **Automatic Dependent Care Reimbursement Request Form** which allows you to bypass the individual claim process. This form is completed by the participant, and the daycare provider, and automatically reimburses funds to the participant as deposits are made from their paycheck.

Use your Dependent Care Funds!

Eligible dependent care expenses must be incurred during the plan year, or you will forfeit any unused DCA funds. However, you do have 90 days after the end of the plan year to submit claims for that plan year. For example, if your plan year ended on December 31st, you have until March 30th to submit claims to the Region 1 Flex Department for dependent care expenses that were incurred prior to December 31st.