

Dependent Care Flexible Spending Account FAQ for Employees

Which Dependents are Eligible?

Qualifying dependents are:

- A child under age 13 in your custody whom you claim as a dependent on your tax return;
- A spouse who is incapable of self-care; and
- A dependent who lives with you—such as a child over age 13, parent, sibling, or in-law—who is incapable of self-care, and whom you claim as a dependent on your tax return.

If care for a disabled spouse or dependent is provided outside the home, the dependent must live with you at least eight hours a day.

What Expenses Are Eligible Under The Dependent Care Plan?

The dependent care must be necessary so that you, or you and your spouse, can work or look for work (you must have work income during the year). If care is provided in a day-care center, the center must charge a fee. If the center cares for six or more dependents who are not residents, it must comply with all state and local licensing laws and applicable regulations. Expenses must be incurred during the FSA Plan Year. You will not be reimbursed for expenses until after the care is provided. If you enroll midyear, expenses incurred before your effective date are not eligible.

Eligible dependent care expenses include, but are not limited to:

- In-home dependent care
- Private pre-school program
- Nursery school
- Care provided at a day-care center or other location outside your home
- Public or private before-school and after-school care
- Summer day camp (if cost is comparable to other alternatives and the main purpose is to provide for the child's well-being)

Expenses that do not qualify for reimbursement include, but are not limited to:

- School expenses for children in kindergarten or above
- Food or clothing provided for your dependent
- Care provided by your spouse, your child under age 19, or someone you claim as a dependent for tax purposes
- Transportation expenses to and from the care location
- Baby sitting for social events
- Overnight camp expenses

Please note: Dependent care expenses must meet the statutory requirements of IRC sections 21 and 129. School expenses for children below kindergarten may or may not be eligible, depending on your daycare arrangement. For more information, refer to IRS Publication 503 or consult your tax adviser.

Are there any limits to how much I can contribute to my Dependent Care Account?

The IRS limits the maximum annual amount you can deposit in your dependent care account to \$5,000, or \$2,500 if you are married and filing separately. The IRS imposes additional restrictions based on marital status, tax-filing status, and spousal income and work status as described below.

- If you are single or married and file a joint tax return and your spouse does NOT contribute to a dependent care FSA you may contribute up to \$5,000.
- If you are married and file a joint tax return and your spouse DOES contribute to a dependent care FSA you may contribute up to \$5,000 COMBINED.
- If you are married and file a joint tax return and your spouse earns less than \$5,000 a year you may contribute up to your spouse's annual earnings.
- If you are married and you and your spouse file separate tax returns you may contribute up to \$2,500 and your spouse may also contribute up to \$2,500 to a separate dependent care FSA account.
- If you are married and file a joint tax return and your spouse is a full time student or disabled you may contribute up to \$2,400 if you have one dependent and up to \$3,800 if you have two or more dependents.

Can I request reimbursement from my flexible spending account for services I receive before the plan year begins, if I am not billed until after the plan year starts?

No. According to IRS guidelines, a qualified expense is "incurred" at the time the service is provided, not when you are billed (or charged) or actually pay for this service. Therefore, reimbursements made during a plan year are only made for eligible expenses incurred during that same plan year.

Can I use the dependent care flexible spending account for elder care?

Yes. You can use the dependent care flexible spending account for day care expenses so that you (or if you are married, you and your spouse) can work if:

- You are responsible for at least 50% of the support of an elderly parent or any person living with you who is physically or mentally incapable of self-care; and
- This person is noted on your income tax statements as a legal dependent.

You can also use the dependent care flexible spending account if the elder care is needed because you work and your spouse is a full-time student.

If I have someone come into my home to take care of my children instead of using a day care facility, do these expenses qualify for a dependent care flexible spending account?

Yes. You can include wages paid to a baby-sitter or companion in or outside your home if the services are necessary in order for you (or, if you are married, you and your spouse) to work. Expenses will also qualify for a dependent care flexible spending account if you work and your spouse is a full-time student. The services are not covered if the baby-sitter is someone you declare as a dependent.

If I underestimate my dependent care flexible spending account contributions, can I use money from my health care flexible spending account to make up the difference?

No. The health and dependent care flexible spending accounts are two separate benefit plans. You cannot transfer money between accounts.

Can I change my election or stop contributing money to my flexible spending account at any time throughout the year?

Federal regulations state that once you have enrolled and selected the contribution amount, you cannot change your decision until your next open enrollment unless you have a family status change.

Changes in family status include:

- your marriage or divorce
- birth or adoption of a child
- change in work schedule (e.g. part-time to full-time status or full-time to part-time status) of employee, spouse or dependent.
- death of a spouse or covered dependent
- you or your spouse taking an unpaid leave of absence

So, for example, if a child was born, you might want to increase your dependent care expense reimbursement amount to include dependent care for the child (if both you and your spouse are returning to work after the birth. Changes may only be made with regard to future expenses, not retroactively.

NOTE: Please refer to your Flexible Spending Account Summary Plan Description (SPD) for additional Plan information and restrictions.