

What is a Dependent Care Flexible Spending Account (FSA)?

A Dependent Care FSA is an account that allows tax-free payroll dollars to be used for payment of eligible child or adult dependent care expenses not covered or reimbursed by any other source.

What services are eligible under a Dependent Care FSA?

You may use this plan for dependent care expenses that meet these qualifications:

- Expenses must be for the care of a Qualified Person. A Qualified Person is someone who spends at least eight hours per day in your home and is one of the following:
 - Your dependent who was under age 13 when the care was provided and for whom you can claim an exemption. (If divorced or separated, see special regulations in IRS Publication 503.)
 - A spouse or dependent who is physically or mentally incapable of self-care and for whom you can claim an exemption.
- The dependent care must enable you to be gainfully employed or to look for work. If you are married, the dependent care must also enable your spouse to work, look for work or attend school full-time (or your spouse must be physically or mentally incapable of self-care).
- The funds to be used from your Dependent Care FSA must not exceed the lesser of your or your spouse's earned income for the Plan Year.
- The services may be provided in your home or another location but not by someone who is your minor child or dependent for income tax purposes (e.g. an older dependent child).
- If the services are provided by a day care facility that cares for six or more individuals at the same time, the facility must comply with state day care regulations.
- Services must be for physical care, not for education, meals, etc. Note that overnight camps and lessons in lieu of day care are not eligible expenses from a Dependent Care FSA.

My spouse is also offered a Dependent Care FSA at work. Can we each elect the maximum amount allowed under our respective Dependent Care FSA plans?

No. The maximum amount allowed under a Dependent Care FSA is a household limit set by the IRS. You can each elect a Dependent Care FSA at

your respective workplaces, but the total dollar amount for your household cannot exceed the annual IRS maximum (\$5,000 if single or if married and filing jointly; \$2,500 if married and filing a separate return).

My dependent child who is under the age of 13 goes to day camp during the summer. Is that expense eligible under my Dependent Care FSA?

Yes, as long as the care meets the IRS definition of an eligible dependent care service. However, expenses for overnight camps are not eligible.

Is Kindergarten reimbursable from a Dependent Care FSA?

No. The IRS considers Kindergarten primarily educational in nature. Therefore, it is not an eligible expense for reimbursement from a Dependent Care FSA. *Note: Summer school and tutoring programs are also considered education and are not eligible for reimbursement.*

My dependent child who is under age 13 goes to private school. Are the tuition payments eligible for reimbursement under my Dependent Care FSA?

No. School tuition is not child care and is not an eligible expense under a Dependent Care FSA.

Can I use a Dependent Care FSA to pay for a babysitter in my home rather than using a day care facility?

Yes, as long as the care meets the IRS definition of an eligible dependent care service.

Are day care expenses for before-school and after-school care eligible under a Dependent Care FSA?

Yes, as long as the care meets the IRS definition of an eligible dependent care service.

Are expenses at a day care center eligible under a Dependent Care FSA?

Yes, as long as the care meets the IRS definition of an eligible dependent care service. If the provider is a day care center which regularly provides care for more than 6 people, the center must comply with state and local laws and regulations.

My day care provider charges me a fee for transporting my child from school to the day care location. Is this fee reimbursable from my Dependent Care FSA?

Transportation expenses that are provided for the qualifying individual to go from one place to where the care is given is eligible for reimbursement from a Dependent Care FSA *as long as the care giver is providing the transportation.*

Can eligible day care services be provided by a relative?

Yes, as long as the relative is *not* the participant's child under 19 years of age and is not someone who can be claimed on the participant's (or spouse's) federal tax return as a dependent.

My dependent child will turn 13 during the current Plan Year but will still have a babysitter throughout the Plan Year. Can I use the Dependent Care FSA for the entire year for that child?

No. Only expenses for services provided before a dependent child reaches age 13 are eligible.

If I pay for day care expenses and am not the custodial parent, can these expenses be reimbursed from a Dependent Care FSA?

No. Since the child does not meet the requirements set by the IRS as a qualifying individual, these expenses are not eligible for reimbursement from a Dependent Care FSA.

Are day care expenses for an elderly parent eligible under a Dependent Care FSA?

If an elderly parent lives with a participant and relies on that person for at least 50% of their support, then the Dependent Care FSA may be used for day care expenses. However, the care must be necessary to allow the participant to work, and cannot be custodial nursing care. Also, if the participant is married, the care must be necessary because the spouse also works, is looking for work or is a full-time student.

Are application fees, agency fees and deposits paid for the care of a qualified individual eligible for reimbursement under a Dependent Care FSA?

These expenses may be deemed eligible for reimbursement *if and only if* they are required to obtain the care *and* if the care is actually provided. Therefore, a claim for this type of fee/deposit should not be submitted

until the care associated with the expense begins. Forfeited fees are not considered to be for the care of the individual and are not reimbursable.

Will I have to report contributions to my Dependent Care FSA on my tax return?

Box 10 on your W-2 form should indicate the total annual amount of your Dependent Care FSA deductions. When completing your tax return, you will need to attach a *Child and Dependent Care Expenses* form (Form 2441 for a 1040 return; Schedule A for a 1040A return). You should contact a tax preparer for more details.