

Dependent Care Flexible Spending Accounts

The Dependent Care Flexible Spending Account (FSA) allows employees to pay for qualifying dependent care expenses using pretax dollars.

Each year, participants determine how much money to contribute to a Dependent Care FSA through pretax salary reduction. A participant's taxable salary will be reduced by the amount of money elected to contribute each period to save on federal income tax, state income tax, and FICA. The maximum amount one may contribute to a Dependent Care FSA is \$5,000 per year per household.

The election may not be changed during the plan year unless there is a change in status event. A change in status event includes:

- Marriage, divorce, or legal separation
- Birth or adoption of a child
- Death of a spouse or dependent
- A spouse gaining or losing employment
- A participant or spouse switching to/from full-time/part-time employment
- A change in the cost of dependent care

See the Summary Plan Description for additional information regarding permitted change in status events.

DEPENDENT CARE EXPENSES & REIMBURSEMENTS

Dependent care expenses must be for the care of one or more qualifying dependents. A qualifying dependent is a child younger than 13-years-old who is claimed as an exemption for federal income tax purposes, or an adult older than 13-years-old who resides with the participant and is mentally or physically incapable of self-care.

Dependent care expenses must be incurred in order to allow the participant (and their spouse if married) to work and include costs such as babysitters, daycare centers, pre-school tuition, before and after-school care, and summer day camps. Dependent care expenses do not include amounts paid for "overnight" camps or regular school tuition for kindergarten or higher grades.

Incurred dependent care expenses will be reimbursed, up to the total amount credited to the account. Participants must use the entire balance of the Dependent Care FSA each year. Any balance remaining after the end of the plan year will become subject to forfeit.

FREQUENTLY ASKED QUESTIONS

During the year, my child will begin school and will only require care after school hours. Will this be eligible?

Yes, after-school care is a qualified dependent care expense.

My oldest child helps take care of the younger ones when they come home from school. I pay the oldest child to provide this care. Will these payments be eligible?

No, the IRS will not permit you to employ a child of yours who is under age 19 or any other dependent of yours for this purpose.

Each summer, I send my dependents to summer day camp. Can I pay this expense through my account?

Yes, you may include the cost of summer day camp. You cannot pay for transportation to the camp from the account nor can you pay any expenses related to overnight camp.

My elderly mother, who is bedridden and requires nursing care, lives at home with me. Can I use this account to pay for her nursing expenses?

No, because the expenses are medical in nature. In addition, if your mother lived in a 24-hour nursing home, you could not use your Dependent Care FSA to pay for her expenses.

I take my elderly father to an adult daycare facility. Would I be able to use this account to pay for these expenses?

Yes, you are able to claim these expenses as long as you claim your father as a dependent on your tax return and he regularly spends at least eight hours a day in your home.

My wife is presently working, but when she has our next child she may be staying at home. Can I stop making contributions to my account after the baby is born?

Yes, if you have a change in family status such as a birth of a child, divorce, etc., you can change the amount of contributions to your account. If your wife does stay home, you must stop making contributions because you will no longer have eligible daycare expenses.

Is the amount of child care expenses that is eligible for the dependent care tax credit offset by the amount that I contribute to the Dependent Care Spending Account?

Yes, an employee's child care expenses eligible for the federal tax credit will be directly offset by the amount the employee contributes to a Dependent Care FSA.

May I submit claims at the start of the plan year for the whole year?

No, future expenses are not reimbursable per the IRS. However, CBIZ will accept claims with a start date of service of no more than two weeks in the future.