

FAQ: Dependent Care FSA

What is a dependent care flexible spending account (FSA)?

A dependent care FSA offers the opportunity to set aside a portion of your paycheck pre-tax into a special account. That account can then be used to pay for qualified dependent care expenses.

Why should I participate in a dependent care FSA?

As contributions are made to the FSA account before income taxes are assessed, your taxable income is reduced. FSA participants may realize a 30% average tax savings on the total amount contributed to the account.

How much can I contribute to the account?

The IRS limits contributions to \$5,000 per year, if you are married and filing a joint return, or if you are a single parent or \$2,500 per year, if you are married and filing separately.

How do I contribute to the dependent care FSA?

Once you have made your election, your employer will deduct the designated amount from your paycheck before taxes are assessed across the appropriate number of pay periods.

What type of care is eligible?

Expenses are only eligible if they are for the purpose of allowing you to work or look for work. Eligible services may be provided at a child or adult care center, nursery, preschool, after-school, summer day camp, or nanny in your home.

What type of care is not eligible?

Expenses that are not eligible include those applied for a child over age 13, overnight camp, babysitting that is not provided to allow you to work or find work, school fees for kindergarten or higher grades, and long-term care services.

Who qualifies as a dependent?

Your dependent care FSA can be used to pay for care of a tax dependent of yours who is under age 13, other tax dependent of yours, such as an elderly parent, who is physically or mentally incapable of self-care and has the same principle residence as you, or a spouse who is physically or mentally incapable of self-care and has the same principle residence as you.

How do I use the funds in my account?

You may pay directly via the debit card connected to your FSA account, or may pay out-of-pocket and then file a reimbursement claim with expenses documented.

Do I have access to my total dependent care FSA election amount at the beginning of the year?

No, you will only have access to the funds that have already been deducted from your paycheck.

Are there any rules about who can care for my dependents?

Yes. Care provided by a spouse, person you list as a tax dependent, or another child of yours under age 19 is not eligible.

Can I change my election amount mid-year?

Typically you cannot make a contribution change mid-year. You may be eligible to adjust your contribution in the situation you experience a qualifying life event like the birth of a new child or a significant increase in the rate charged by your childcare provider.

What happens if I don't spend all of my dependent care FSA funds by the end of the plan year?

IRS rules mandate any unused funds be forfeited and account balances cannot be carried over from year to year. So estimate what your dependent care expenses will be for the year, and allocate enough from your pay, up to the allowable contribution limit, to cover them.

What happens to my account if my employment is terminated?

In the event your employment is terminated, so is your participation in the dependent FSA plan. In addition, only expenses incurred prior to your termination will be eligible for reimbursement.

Can I also deduct dependent care expenses on my tax return?

Yes, but only for expenses for which you have not yet been reimbursed. For example, if your total expenses were \$6,000 and you were reimbursed \$5,000 from your dependent care FSA, you may only claim the \$1,000 difference.