

Frequently Asked Questions: Dependent Care Spending Account

- **What is a Flexible Spending Account (FSA)?** An FSA is an employer-sponsored plan that allows you to deduct dollars from your paycheck and deposit them into a special account that's protected from taxes.
- **What is a Dependent Care Spending Account?** It is an account that provides pre-tax reimbursement for your eligible dependents' day care needs. Under certain circumstances, the account may be used to help pay for the care of elderly dependents or a disabled spouse or dependent.
- **Why should I enroll in a Dependent Care Spending Account (FSA)?** With an FSA, your out-of-pocket dependent care expenses can be paid with tax-free dollars. The plan can reduce a percentage of your tax liabilities dependent upon your tax bracket. Refer to the IRS link at the bottom of each page and consult with a tax advisor to help you decide whether a tax deduction could be more beneficial.
- **What do I need to consider when determining if it is better to a) use FSA for dependent care; or b) take the credit on my annual taxes?** The IRS Code also provides for a "Dependent Care Tax Credit" for those paying for dependent care of a child under age 13, or for a spouse or dependent who cannot care for themselves. The expense must be

necessary to allow the taxpayer (and spouse, if applicable) to work, seek work, or attend school. To determine the available "Dependent Care Tax Credit, you can consider up to \$3000/annually of child care expenses for one dependent, and a maximum of \$6000/annually for 2 or more dependents. Depending on your adjusted gross income, the higher your earnings, the lower your tax credit may be.

- **See below for other sources of advice in deciding whether a Dependent Care FSA or a Dependent Care Tax Credit works the best for your family situation:**

Your Employee Assistance Program benefit includes financial and legal consultation services. Call 1-800-354-3950 or via liveandworkwell.com (access code EAP) to access these services:

Financial services: a free telephonic consult (up to 60 minutes) with a financial planning expert per issue.

Legal Services: a free 30 minute consultation with an attorney either by phone or face to face. If you hire the attorney you would receive a 25% discount on services for whatever issue you have.

Go to www.irs.gov/publications/p503 for detailed information regarding Child and Dependent Care Expenses.

- **How does the pre-tax deduction work?** Your election amount will be deducted from your first and second paychecks each month. You will not pay FICA, federal income tax, and state taxes on the election amount at any time. You will be spending tax-free dollars to pay for expenses. You will never be required to pay taxes on these set-aside dollars.

- **Who is eligible to use the Dependent Care Spending Account?** Employees scheduled to work 30 or more hours per week who meet the conditions described under next FAQ below.

- **Am I eligible to participate in a Dependent Care Spending Account?** You are eligible if you have a dependent (whose expenses are eligible) who requires care to enable you to go to work. You must also meet **one** of the following criteria:

- You are unmarried.
- Your spouse works, is a full-time student, is actively seeking work, or is disabled (incapable of self-care).
- You are divorced or legally separated and have custody of your child even though your former spouse may claim the child for income tax purposes. Your Dependent Care FSA can be used to pay for child care

services provided for the period the child resides with you.

- **If I have a dependent care FSA, can I claim the household and dependent care credit on my tax return?**

No. You may not claim any other tax benefit for the tax-free amounts received by you under the dependent care FSA, even though the balance of your eligible, work-related dependent care expenses (if any) may be eligible for the dependent care credit. Talk to your tax advisor to get more details.

- **If I have a dependent care FSA, do I need to report anything on my tax return at the end of the year?**

Yes. You must identify all people or organizations that provide care for your child or dependent. You do this by filing IRS Form 2441 - Child and Dependent Care Expenses along with your Form 1040 each year (or Schedule 2 for Form 1040A). The amount withheld from your paycheck during the calendar year will be listed separately on your W2.

Please note: The IRS may change these requirements, so talk to your tax advisor for more details.

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- **What dependent care expenses are eligible for reimbursement?** Eligible dependent care expenses may include services provided either inside or outside your home by anyone other than your spouse or a person you list as a dependent for income tax purposes or one of your children under the age of 19. Services may be provided at a child or adult care center, nursery, pre-school, before or after-school, or summer day camp.

- **What dependent care expenses are not eligible for reimbursement?** The following are expenses are not eligible for reimbursement: care for a child age 13 or older, overnight camp, babysitting that is not work-related, music/dance/swim lessons, tuition for kindergarten and higher grades, and long-term care services. Services that are paid to an eligible dependent for babysitting services are also not eligible.

All submitted expenses are reviewed for eligibility through our vendor according to applicable Internal Revenue Code Sections.

- **I pay my neighbor to watch my 13-year-old after school. Is this an eligible expense?**
No. To be an eligible expense, the care must be provided to a

qualifying individual. A child age 13 or older isn't a qualifying individual.

- **My 16-year-old daughter cares for my 8-year-old son after school. If I pay my daughter, can I be reimbursed for the expense?**
No. You may not be reimbursed for paying an older sibling that you (or your spouse) can claim a personal tax exemption as a dependent. Nor can you be reimbursed for payments made to your child who is younger than age 19 at the end of the plan year.
- **How do I enroll in a Dependent Care Spending Account?** Open Enrollment for the 2016 Plan Year begins on Monday, November 16 and ends at midnight on Friday December 4. To enroll go to the Cooperative's new online benefits administrator: <https://fccbenefits.com>. Enter **fcc** (all lower case) for your company key when you register and then use the system to enroll in a Spending Account. Additional information and direct deposit sign up forms will be available there and at: www.bewell.franklincountyohio.gov

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- **How do I decide how much money to put into the Dependent Care Spending Account?** IRS regulations limit the annual contribution to \$5,000 per household per calendar year. This applies if you are married and filing a joint return, or if you are single and the custodial parent of the child filing head of household. Or \$2,500 if you are married filing separately. Go to: <https://fccbenefits.com> to find a Flexible Spending calculator to help you calculate the amount. Choose a monthly deduction amount in whole dollar increments. The deduction will be split between the first and second pays of the month.
- **If I put \$400 each month into my dependent care FSA, but my actual expenses are closer to \$500 a month, should I submit my claim form for \$400 or for \$500?**
You should file your claim for the actual amount of the expense - in this case, \$500. The maximum reimbursement you can get is equal to the current account balance in your dependent care FSA. If your request for reimbursement is more than the available balance in your dependent care FSA, the remaining amount will be put on hold and paid when funds are in your account.
- **How quickly are my pre-tax dollars available after the payroll deduction?** Once the employer's payroll file is loaded into the system, the dollars will be available for reimbursement the same day.
- **How do I use the funds in my Dependent Care Spending Account funds?** When you begin participation in this FSA you will be paying your care provider during the same time period when your first payroll deductions are taken. In essence, you will have a double expense until there are enough funds in your account to be able to directly pay your provider and submitting a manual claim form for reimbursement or using the debit card.

If you directly pay your care provider, complete a claim form with provider's signature; attach the invoice from the daycare facility or a receipt including dates of service.

You can also pay the provider by using your FSA debit card for the amount available in the account at the time of the swipe. This account is not pre-funded.

Verification of the expenses will be required, so hold on to all documentation in case it is requested.

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- How does the verification process work? If I pay my dependent care expenses with the FSA Card and supporting documentation is required, are the dollars in my FSA account used to cover the payment at that time and the supporting documentation requested after the fact? When you use the FSA card and the transaction is approved at the point of sale, the provider or vendor has received their funds and they consider the transaction complete. If the amount of the transaction cannot be approved via the auto approval parameters that are coded in the system, Businessolver will request a copy of the itemized receipt or Explanation of Benefits (EOB) for the transaction to verify that the transaction was for an eligible expense. This is the back end substantiation that is required by the IRS.
- When can I have access to my total dependent care FSA election amount? You will only have access to the funds that have already been deducted from your paycheck. The account will only reimburse what has already been deducted from your paycheck.
- Where do I send a manual claim form for reimbursement? You can e-mail, fax or mail your claim form:
Email:
Flexadministration@businessolver.com
Fax Number: 855-883-8542
USPS Mail:
 Section 125 Plans
 PO Box 65948
 West Des Moines, IA 50265
For claim inquiries call toll-free:
(855)883-8541.
- How do I receive the reimbursement when I submit a manual claim? Reimbursement can be deposited into your checking or savings account if you elect to sign up for direct deposit. The form to complete for direct deposit can be found on the enrollment site:
<https://fccbenefits.com> Otherwise, you will receive a check via U.S. mail.

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- **When can I make changes to my election amount?** Your election cannot be changed unless you have a change in status or other qualified event – that’s an event defined by IRS rules and the Plan must permit it. Qualified changes include:

- A change in legal marital status (marriage, divorce or death of your spouse)
- A change in the number of your dependents (birth or adoption of a child, or death of a dependent)
- A change in employment status of you, your spouse, or dependent
- An event causing your dependent to satisfy or cease to satisfy an eligibility requirement for benefits

There are two parts to determining if a change in election will be allowed. First, you must experience a change in status or other qualified event. Second, your requested change must be consistent with the event. For example, if you have a baby, you could increase your FSA contribution.

You may also change your dependent care FSA election if:

- There is a major increase or decrease in the amount you pay an independent, third-party provider which significantly

increases or decreases the cost of care.

- You have a change, such as changing dependent care providers.
- **What happens if I do not spend all of the money in time?** Money left in your account after the end of the run-out period cannot be refunded to you; this is referred to as the “Use-it or lose-it rule”.
- **What is the run-out period for submitting claims for expenses I pay for during the FSA calendar year?** Claims for expenses that were incurred or took place in the FSA calendar year may be submitted for reimbursement until March 31 of the next year.
- **When is an expense considered incurred?** This is when the service is actually provided, not when you are billed or pay for services.
- **What happens to the money if I terminate my employment?** Your final paycheck will have the normal deduction and your participation will end. Only expenses incurred during the FSA calendar year can be considered eligible and must be submitted before the end of the “run out” period. Any services incurred after the employment termination date cannot be reimbursed.

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