

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.
- **Why should I enroll in an 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. See below:

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.

- **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.
- **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.
- **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.

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

- [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.

- [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 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. The higher your earnings, the lower your tax credit.

- [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 amounts withheld from your paycheck during the calendar year will be listed separately on your W2.

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

- **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.

- **If I have a domestic partner (not legally a spouse) who provides daycare services for our children would they be considered eligible to be paid with dependent care FSA dollars?** A domestic partner would be considered a spouse in this instance and ineligible to be the daycare provider and could not be paid with dependent care FSA dollars.
- **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 whom you (or your spouse) can claim as a dependent for a personal tax exemption. Nor can you be reimbursed for payments made to your child who is younger than age 19 at the end of the plan year.

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- **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>. Register using **fcc** for the company key 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
- **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.
- **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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- **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. You will not need to resubmit claims for the remaining amount. The system will automatically process the “pending” amount once more funds are deposited into their account via payroll deductions.
- **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 can I look up my FSA Account?** You can access your account information by going to <https://fccbenefits.com> and using the FSA widget on the home page.
- **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 my 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. Otherwise, you will receive a check via U.S. mail. The forms to sign up for direct deposit can be found at <https://fccbenefits.com>
- **When can I make changes to my election amount?** Your election cannot be changed unless you have a change in status or other qualified life event – that’s an event defined by IRS rules and the Plan must permit it. Qualified changes in status events include:

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- 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.

- [What are Qualifying Events for Dependent Care FSA that will permit changes?](#)

Increase Dependent Care Election:

- Birth or Adoption of child

Decrease or Terminate Dependent Care election:

- Child or dependent no longer a qualifying individual (ex. Child turns 13 years old)
- Divorce and child no longer resides with you

Increase or Decrease Dependent Care election:

- Change of daycare provider arrangement
- Cost of care changes (unless care provider is a relative)
- Need for care changes due to:
 - o Job change
 - o Change in work hours
- [Would a Life Event allow me to drop my FSA altogether?](#) You would not be able to drop your election to \$0.00 even with a qualifying life event during the year. The change in election needs to be consistent with the life event. For example: the birth of a child is not a qualifying event to lower an existing FSA election.
- [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 that were incurred in the previous calendar year?](#) January 1 through March 31 is the period in which you can still submit claims to be reimbursed with any remaining dollars left after December 31.

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- **When is an expense considered incurred?** This is the date when the service is actually provided, not when you are billed or pay for services.
- **Can my spouse and I both have Dependent Care Flexible Spending Accounts?** Yes, both of you could have Dependent Care FSAs. Between the two of you, you cannot exceed the \$5,000 per family maximum for the calendar year.
- **What if we are both employees of Franklin or Pickaway County?** It doesn't matter if you are both County employees. Caution: You cannot submit the same expenses under both plans. This would be considered "double dipping" by the IRS.
- **Are there any administrative fees passed on to participants? What about with debit card use?** There are currently no administrative fees passed on to you as a participant. They are billed to the Cooperative.
- **How would my FSA deductions be handled if I need to go out on a leave of absence without pay?** If you go out on a leave and you know that you will not be receiving a paycheck during some period of the leave you will need to let your department

know which of the options below that you want to use:

- Take a period of no FSA deductions and coverage for the time you are out on a LOA. Your annual election would be adjusted by the amount of missed contributions. You would not be able to submit claims incurred during that time.
- **Or** you may make after tax payments while on unpaid leave. Your FSA would remain active and you can submit expenses incurred during your leave. **Or** you may choose to catch-up on the missed contributions when you return by adjusting the pay period deduction amount over the remaining pay periods to reach your annual election.
- **What happens to any money in my Dependent Care FSA if I terminate my employment?** Your final paycheck will have the normal deduction and your participation will end. Only expenses incurred during the active coverage period can be considered eligible and must be submitted by the end of the "run out" period. Any services incurred after the termination date cannot be reimbursed.

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