

Dependent Care FSA FAQs

What is a dependent care flexible spending account?

If a dependent care flexible spending account (FSA) is part of your benefits package, it lets you use pre-tax dollars to pay for eligible, employment-related dependent care expenses for your dependent children or relatives. Find more details on our [Dependent Care FSA](#) page.

Why is it a good idea to have a dependent care FSA?

Employees with young children or dependent relatives, who are considered “qualifying individuals,” can benefit from dependent care FSAs. Setting aside pre-tax dollars means you pay fewer taxes and increase your take-home pay by your tax savings. You save money on expenses that you are paying for out of your pocket. The amount you save depends on your tax bracket.

For example, if you are in the 30 percent tax bracket, you can save \$30 on every \$100 spent on eligible expenses such as day care, after-school care, elder day care and much more.

Who is a qualifying individual?

A qualifying individual is:

- Your dependent child under the age of 13 who lives with you for more than half the year
- Your spouse or other qualifying dependent who is physically or mentally incapable of self-care and lives with you for more than half the year

What if I'm divorced?

Having a dependent care FSA depends on if you are the custodial parent or not.

- **If you are the custodial parent** – Your child is a qualifying individual even if you don't claim your child as a tax dependent. You can be reimbursed under a dependent care FSA.
- **If you are not the custodial parent** – You cannot be reimbursed under a dependent care FSA, even if you claim your child as a tax dependent.

What is an "employment-related" expense?

To be an eligible dependent care FSA expense, the care provided to your dependent must be so you (and your spouse if you're married) can work or look for work. “Work” may include actively looking for a job, but it doesn't include unpaid volunteer work or volunteer work for a nominal salary. Your spouse is considered to have worked if he or she is a full-time student for at least five calendar months during the tax year or if he or she is physically or mentally not able to take care of him or herself.

Fees you pay for dependent care when you aren't working because you're sick generally are not eligible for reimbursement. But, there is an exception to this rule. Temporary absences from work may be disregarded if you have to pay for dependent care expenses during your illness. Whether an absence is for a short time depends on the situation, but as a rule, the IRS says that an absence of up to two weeks in a row due to illness or vacation is a short-term or temporary absence.

What if I work part-time?

As a rule, you must allocate (divide) expenses between the days you work and the days you don't. However, if you work part-time but are required to pay for dependent care expenses for a specific time frame (including non-working days), you do not have to allocate expenses between days worked and days not worked.

What expenses are covered under a dependent care FSA?

A dependent care FSA covers qualified dependent care expenses incurred for the care of one or more eligible dependent children or relatives. Typical eligible expenses include:

- Before and after-school care
- Preschool or nursery school
- Extended day programs
- Au pair services (amounts paid for the actual care of the dependent)
- Baby sitter (in or out of your home)
- Nanny services (amounts paid for the actual care of the dependent)
- Summer day camp for your qualifying child under the age of 13
- Elder day care for a qualifying individual

What expenses are not covered under a dependent care FSA?

Ineligible expenses include the following:

- Money paid to your spouse, your child under age 19, a parent of your child who is not your spouse, or a person that you or your spouse is entitled to claim as a personal tax exemption as a dependent
- Expenses related to care for a disabled spouse or tax dependent living outside your home
- Educational expenses (such as summer school and tutoring programs)
- Tuition for kindergarten and above
- Food expenses (unless inseparable from care)
- Incidental expenses (such as extra charges for supplies, special events, or activities unless inseparable from care)
- Overnight camp

How much can I put into a dependent care FSA?

The amount you put into an FSA is called an "election," and your election can't be more than the maximum amount set by the IRS. Currently, the maximum amount is \$5,000 each plan year. However, if you're married and file separate tax returns, the maximum amount is \$2,500.

Although the maximum limit is \$5,000 at this time, your maximum yearly contribution amount cannot exceed the earned income limit. If you are single, the earned income limit is your salary (excluding your contributions to the dependent care FSA plan). If you are married, the earned income limit is the salary that is the lowest – either your salary (minus your dependent care FSA contribution) or your spouse's salary.

My spouse also has a dependent care FSA. Can we both choose to contribute up to \$5,000?

No. If you are married and file a joint tax return, your combined maximum election amount is \$5,000. As mentioned, if you are married but filing separate tax returns, the maximum amount is \$2,500. Expenses reimbursed under your dependent care FSA can't be reimbursed under your spouse's dependent care FSA and vice versa. You can't "double-dip" from both accounts for the same expenses.

Is school tuition an eligible dependent care expense?

No. Tuition fees for kindergarten or first grade and above aren't eligible expenses under a dependent care FSA. However, expenses for before-school care, after-school care, and nursery school are eligible if the care is mainly custodial (care or services for basic needs).

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.

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).

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

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.

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, it's \$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.

What if my eligible dependent care expenses during the plan year are less than the total amount I put into my FSA?

The IRS has a "use-it-or-lose-it" rule. It requires that all money you put into your FSA must be used to reimburse qualified expenses incurred during that plan year. Funds that are left over after the plan year ends are forfeited. The unused portion of your dependent care FSA cannot be paid to you in cash or other benefits. You can't transfer money between FSAs. To reduce the risk of losing money at the end of your plan year, carefully estimate your expenses when choosing your annual election amount.

Where can I get a reimbursement request form?

Just log in to your online to find it.

What do I need to submit along with a reimbursement request form?

If the employee and provider certifications on the reimbursement request form are filled out and signed, you don't need to do anything else. If the provider certification is not completed and signed, you must submit an itemized statement from your dependent care provider. This statement must have the date(s) of service, the name(s) and date(s) of birth of your dependent(s), an itemization of charges, and the provider's name, address, and Tax ID or Social Security number.

How do I keep track of my account activity?

Your FSA information is available anytime day or night by logging it to your online account.

What is the deadline to use this plan year's FSA funds?

It depends on the rules for your employer's FSA. With some FSAs, you can spend the money until the last day of the plan year. After that date, you forfeit any money left in the account. But some employers give more time to use the FSA funds after the plan year ends.

- **Run-out period** – This is a set number of days after the plan year ends that allows you to submit claims for eligible medical expenses that were incurred during the plan year.
- **Grace period** – This is also a set number of days after the plan year ends, and in most plans, it lasts two months and 15 days. During this time, you can use remaining FSA funds to reimburse eligible dependent care expenses incurred during the grace period.

Even if you have a run-out period or grace period, it's important to plan carefully when you decide how much to put in your FSA. Don't think of the grace period as an extension of the plan year. It's more like a cushion in case your expenses fall a little short of what you expected.

Not all plans include a run-out period or grace period, and the length of time can vary. For more details about the deadlines for your employer's FSA and when you can file claims, check your Summary Plan Description.

What if I decide to change the amount I elected?

Your election can't be changed during the plan year unless you have a change in status or other qualified event – that's an event defined by IRS rules – and your employer's plan must allow the change as well.

What happens if I stop working for this employer?

If you stop working for your employer or you lose your FSA eligibility, your plan participation and your pre-tax contributions will end automatically. Expenses for services you have after your termination date are not eligible for reimbursement.

In some cases, your dependent care FSA plan may include a "spend-down" provision. If so, you can submit dependent care expenses incurred after your work termination, if you meet all other participation requirements. This feature is not available in all plans. Please see your Summary Plan Description for specific rules that apply to your plan.