



Dependent Care FSA

Maximize your tax savings by enrolling in a **Dependent Care FSA**! A Dependent Care FSA reimburses your childcare expenses (*or adult daycare expenses*) incurred while you work.

Qualified dependent care expenses include:

- Daycare or babysitting** for your child under age 13
- Preschool tuition** (*but not kindergarten!*)
- Before & after school care** for your child under age 13
- Summer camp** (*but not overnight camp*) for your child under age 13. Includes specialty camps such as horseback camp, science camp, lego camp, etc.
- Adult daycare** for a dependent over age 13 if they are physically or mentally incapable of self-care. The individual receiving care must reside with you for expenses to qualify.

Important points to consider:

- Only expenses incurred to enable you to work qualify. Thus, if you are married and your spouse is not employed, you cannot use the account unless your spouse is a full time student or disabled.
- The amount that you have available to claim is limited to the amount you have contributed to date at the time of the reimbursement.
- The Dependent Care FSA will not reimburse field trip fees, meals, transportation fees, etc. if they are itemized separately on your daycare invoice.
- Pre-payment is not permitted. Only daycare services that have been actually provided can be reimbursed under the plan.
- The Dependent Care FSA is very flexible. Under most employer plans, Dependent Care contributions can be changed any time there is a change to the cost of your daycare. Carefully consider what your out-of-pocket daycare expenses will be as unused funds in a Dependent Care FSA are forfeited.
- If your plan includes the BASIC Benefits FSA debit card, the card can be used to pay your daycare provider if they accept Visa. However, the card will only work if your provider has a daycare merchant code on their credit card terminal. When the BASIC Benefits card cannot be used, reimbursement is issued directly to the employee via check or direct deposit.
- The maximum annual election cannot exceed \$5,000, or \$2,500 if you file Married Filing Separate returns.

Why shouldn't I just deduct my childcare expense on my tax return?

The same dependent care expenses that qualify for the FSA are eligible for a federal income tax credit. You cannot use both tax advantages for the same expenses. Compare your potential federal tax credit (a percentage of the expenses incurred, limited to \$3,000 in expenses for one child, or \$6,000 for two or more children receiving day care) to how much you can save by setting aside money in the Dependent Care FSA. Remember, amounts contributed to the FSA are exempt from all income taxes - not just federal taxes. Consult a tax advisor to confirm which would be best for you.

After careful planning, you may determine that the Dependent Care FSA is right for you!