

## **Dependent Care**

***What expenses are considered eligible under a dependent day care FSA?***

\*\*\*\*Please refer to IRS publication 503.

***What are the requirements for getting reimbursed for my dependent day care expenses?***

1. The expenses must be incurred to enable you to be gainfully (earning income) employed. Gainful employment does not include unpaid volunteer work or work for a nominal salary. The expense must be incurred for services rendered after the effective date of this election and during the plan year to which it applies.
2. The expenses must be for a qualifying individual. This includes a dependent of yours younger than age 13 or a spouse or another dependent who is physically or mentally incapable of self-care and for whom you can claim an exception.
3. The services must be provided by an eligible provider of childcare. This includes a licensed childcare facility that complies with applicable state and local laws and any individual who is not your tax dependent or your child is 19 or older.
4. The expense for services incurred, not for services to be provided.
5. The annual expense reimbursement may not exceed the lesser of:
  - a) Your earned income;
  - b) If married, your spouses earned income; or,
  - c) \$5,000 (\$2500 if married, filing separate income tax return).
6. You must file form 2441 annually with your individual tax return identifying all dependent care providers.

***If I participate in the dependent day care FSA plan, do I need to report anything on my personal income tax return at the end of the year?***

Yes. You must identify all persons or organizations that provide care for your child or dependent by filing IRS Form 2441-Child and Dependent Care Expenses, (see Instructions for IRS Form 2441), along with your form 1040 each year (or schedule 2 for form 1040A).

***I signed up to contribute \$400 per month into my dependent day care Flexible Spending Account (FSA) plan. My actual expenses are closer to \$500 per month. Should I submit my claim form for \$400 or for \$500?***

You should file your claim for the actual amount of charges, \$500 in this case. You will be paid up to the amount of money in your account (less prior reimbursements), not to exceed \$400. The other \$100 would be pending and paid once you have additional funds contributed to your account.

***Is there a maximum that I can contribute?***

Currently the IRS maximum is \$5000.

***My dependent day care expenses must be “work-related.” What exactly does the term “work-related” mean?***

The expenses must be incurred to enable you to be gainfully (earning income) employed. Gainful employment does not include unpaid volunteer work or work for a nominal salary. You are not considered gainfully employed during paid vacation time unless it is a short and temporary absence such as a two week vacation. Gainful employment is determined on a daily basis. Also, you may not be able to include expenses you pay for dependent care while you are off work because of illness unless it is short and temporary. For IRS definition of work related expenses, refer to IRS Publication 503.

***My child just started kindergarten for which I pay tuition. Is this an eligible dependent day care expense?***

No, the IRS does not consider educational or tuition expenses, as eligible expenses, including kindergarten, first grade and higher. You can claim expenses for before or after school care, or nursery school expenses, provided the care is custodial in nature and not educational.

***I just had a new baby and will be home for six weeks. I’m taking my 3-year-old to day care during this time. Will these day care expenses be eligible?***

No. IRS regulations state that the expenses incurred must be work-related. The amounts paid while you are off work because of illness are not eligible unless it is short and temporary. An absence of two weeks or less is a short and temporary absence.

***I pay my neighbor to watch my 13-year-old after school. Can I pay my daughter and file those expenses through my dependent day care FSA?***

No. The individual being cared for must meet the “qualifying person test” as prescribed by the IRS. A qualifying person includes your dependent who is under age 13 or any other qualifying person who regularly spends at least 8 hours each day in your home.

***My 16-year-old daughter cares for my 8-year-old son after school. Can I pay my daughter and file those expenses through my dependent day care FSA?***

No. You can count work-related payments you make to relatives only if they are not your dependents. You cannot claim amounts you pay to:

- A dependent for which you or your spouse, if married, can claim an exception.
- Your child who is under age 19 at the end of the year even if he or she is not your dependent. (See IRS Publication 503).

***When can I submit a claim for my dependent day care expenses?***

Dependent day care claims may be submitted when the service is provided. If the expense has been incurred and proper documentation has been provided (eligible receipts with all necessary fields), the claim is ready to be processed against the participants account. Claims should be submitted following the completed dates of service.

Your account balance is checked to determine how much is available for reimbursement. If the amount of the claim is less than your available balance, then the entire claim can be reimbursed. If the amount of the claim is greater than your available balance, you will only be reimbursed the amount that is available in your dependent day care account.

***What if my balance is greater than my dependent day care claim amount?***

Your account balance is checked to determine how much is available for reimbursement. If the amount of the claim is greater than your available balance, you will only be reimbursed the amount that is available in your dependent day care account. If the amount of the claim is less than your available balance, then the entire claim can be reimbursed.

***What if my balance is less than my dependent day care claim amount?***

Your account balance is checked to determine how much is available for reimbursement. If the amount of the claim is less than your available balance, then the entire claim can be reimbursed. If the amount of the claim is greater than your available balance, you will only be reimbursed the amount that is available in your dependent day care account.

***How do I file a dependent day care claim online using PeopleSoft?***

See link to Filing Claims

[http://www.valdosta.edu/finadmin/human\\_resources/FilingFSAClaim.shtml](http://www.valdosta.edu/finadmin/human_resources/FilingFSAClaim.shtml)

***What type of documentation is acceptable to submit for reimbursement of dependent day care expenses?***

Acceptable documentation consists of: An itemized statement from your daycare provider which must include the name of the provider, your dependents name, and specific dates daycare services were provided and the cost of care.

***If I terminate employment, can I still file dependent day claims?***

Generally, upon termination of employment, you may continue to submit dependent daycare claims up to the amount of the balance in your account. Claims submission after termination of employment is ultimately determined by your employer; contact your HR department to verify this information.

***If I use the dependent day care account, can I also use the federal tax credit for dependent day care expenses?***

Yes, however you cannot use a dependent daycare account and take a tax credit on your tax form for the same dependent daycare expenses. Also, the maximum amount that you can claim for the tax credit (\$6,000 with two or more dependents and \$3,000 with one dependent) must be reduced by your dependent daycare account reimbursements. For example, if you have two dependents and contribute \$5,000 to your reimbursement account, you must subtract that \$5,000 from your tax credit maximum (\$6,000) leaving only \$1,000 in dependent care expenses that you can still claim when filing your federal

tax return. In most cases using the dependent daycare account will result in a greater tax savings than taking the federal tax credit.