

Dependent Care FSA FAQs

1. What is a Dependent Care Flexible Spending Account (DCFSA)?

A DCFSA is an employer-sponsored, pretax benefit account used to pay for eligible dependent care services, such as preschool, summer day camp, before or after school programs, and child or adult daycare. A DCFSA is often called a childcare FSA, dependent FSA, child FSA, and child dependent care FSA.

2. Why should I sign up for a DCFSA?

It's a smart way to save money while taking care of your loved ones so that you can continue to work. The Dependent Care FSA lets you use tax-free dollars to pay for child and elder daycare costs incurred so that you and your spouse, if you're married, may attend school full-time. With the pretax contribution, you can save an average of 30 percent on dependent care services. **That means you keep more of YOUR paycheck.** You can reduce your overall tax burden – funds are withdrawn from your paycheck for deposit into your account before taxes are deducted. TRI-AD makes it fast, simple, and easy to pay for and be reimbursed for eligible expenses.

3. Who can I make claims for under a DCFSA?

Eligible dependents include children under the age of 13 who live with you for more than half the year and your spouse, or a qualifying child or relative who is physically or mentally incapable of self-care and lives with you for more than half the year. If you are divorced or separated, the noncustodial parent typically cannot claim a child as a qualifying dependent, even if that parent is entitled to claim the child as a dependent under the special tax rules for a child of divorced or separated parents. Check with your legal or tax advisor to see if special IRS rules permit your child to be claimed by the noncustodial parent or by both parents.

4. What expenses are eligible?

The IRS determines which expenses are eligible for reimbursement.

Here are a few common eligible expenses:	
Au pair fees	Adult Day Care Center
Before and after school or extended day programs	Babysitter inside or outside household
Custodial childcare (non-medical) or eldercare expenses	Child Care/Elder Care
Daycare centers	Day camps
Nanny	Household employee whose services include care of a qualifying person
Summer day camps	Preschool/nursery school for pre-kindergarten
Holiday break day camps	Sports day camps

Here are a few common ineligible expenses:	
Assisted Living	Field trips when at day camp (separate fee)
Activity Fees	Tuition – kindergarten and up
Boarding School	Nursing Home
Camp, Overnight	Summer School
Medical expenses for a disabled eligible person	Housekeeper/Maid

5. How much do I have to earn to have a DCFSA?

Under IRS rules (see IRC Sections 129(a)(2)(A) and 129(b)(1)), the maximum amount that can be elected for a DCFSA is limited to the lesser of:

- \$5,000 for single individuals or married couples filing joint returns;
- \$2,500 for married couples filing separate returns,
- The employee's earned income (if less than \$5,000 or \$2,500) or
- The spouse's earned income (if less than \$5,000 or \$2,500).

Although the maximum limit is currently \$5,000, your maximum yearly contribution amount cannot exceed the earned income limit.

6. My spouse and I both have a DCFSA at work. Can we both contribute \$5,000?

No, the maximum amount allowed for a DCFSA is \$5,000 per household, or \$2,500 if married filing separately.

7. What information do I need to obtain from a dependent care provider?

The caregiver must declare your payment as taxable income. If the childcare center is providing care for more than six non-resident children, the provider must comply with state and local regulations. You must supply the IRS with the provider name, address, and Tax ID # on Tax Form 2441.

8. Can I use a DCFSA to pay for a babysitter in my home instead of a daycare facility?

Yes! You can include expenses paid to a babysitter if the services are necessary for you and your spouse, if married, to work, look for work, or attend school full-time. However, your dependent care costs are not eligible if you did not find a job and have no earned income for the year.

9. Is tuition an eligible expense?

No. Tuition for kindergarten and up is not eligible for reimbursement. You can claim nursery school, pre-kindergarten, before-school care, and after-school care.

10. My 17-year-old son watches my 4-year-old daughter after school. Can I pay him from my DCFSA?

No. You may not be reimbursed for payments made to a dependent for whom you or your spouse can claim an exemption or for payments made to a child under the age of 19 at year-end.

11. Do I need to report anything on my personal taxes if I use a DCFSA?

Yes, unlike healthcare and limited health FSAs, you must file a form with your tax return when you have a DCFSA. When submitting your tax return, you must complete a Child and Dependent Care Expenses form (Form 2441 for a 1040 return; Schedule A for a 1040-A return).

12. I contribute \$350 to my DCFSA every month, but my child care center charges me \$580 per month. Should I file the claim every month for \$350 or \$580?

You should file a claim for reimbursement for the cost of child care which is \$580 in this case. If your claim amount exceeds your current DCFSA account balance, the remaining amount (\$130) is pending and will be paid out when additional contributions are deposited in your account.

13. I sometimes work at night and need an overnight babysitter. Is that an eligible child care expense?

Yes, as long as the services are necessary for you or your spouse, if married, to work, look for work, or for your spouse to attend school full-time, this is an eligible DCFSA expense.

14. What happens if I don't use the full amount of money I've elected for the DCFSA by the end of the year?

The funds you contribute to your DCFSA must be used by the end of your plan year. Any unused funds will not be paid out to you and will be forfeited.

15. What information is needed to submit an online or mobile app claim?

Supporting documentation for your claim should be an itemized statement from the dependent care provider that includes: service date(s), the dependent's name, the type of service, amount billed, and provider's name and address. You may not submit a canceled check as supporting documentation.

16. What is the deadline to submit claims for my DCFSA? What is the timing?

Your deadline date is specific to your employer's plan. Some employers may offer a run-out or grace period (but not both for the same plan).

If your employer-sponsored DCFSA includes a run-out period, you will have a specific window after the end of your plan year to file claims for the plan year's expenses. During this run-out period, you may submit claims for eligible expenses you incurred **during** the plan year. Please check your summary plan description to verify if your plan has a run-out.

Some plans may offer a grace period instead of a run-out period. While the run-out allows you extra time to submit claims for expenses incurred during the plan year, the grace period is an **extension** of your plan year. The grace period immediately follows the plan year end date and allows DCFSA participants to incur and submit claims during this grace period. For example, your plan year ends on December 31, 2024, and the grace period ends on March 31, 2025. This grace period allows you to maximize the use of your DCFSA contributions, so you do not forfeit your pretax allotment of funds. Be sure to check your summary plan descriptions to verify if your plan has a grace period.

17. When can I enroll in a DCFSA or change my DCFSA election?

You can enroll in a DCFSA during your organization's annual open enrollment period for benefits. You can enroll or change your DCFSA election outside of open enrollment if you have a qualifying life event. Examples of qualifying life events include:

- A change in marital status (e.g., marriage, divorce, or death of your spouse)
- A change in the number of your dependents (e.g., birth or adoption of a child, or death of a dependent)
- A change in employment status of you, your spouse, or dependent
- An event that causes your dependent to gain or lose an eligibility requirement for a particular benefit
- A change in residence of you, your spouse, or dependent
- A change in cost of coverage

18. What happens to my DCFSA if I quit my job?

If your employment is terminated during the plan year or you become ineligible under the plan rules, your participation and contributions cease. Please review your summary plan description to review the rules for your employer's plan.

19. What are my payment options?

If you have a Benefits Card debit card, you can use it pay your provider directly. You can also submit a manual claim through TRI-AD's mobile app Benefits on the Go or through the online portal's claim submission process. You may be reimbursed by direct deposit or check.

20. How do I submit a claim for reimbursement?

- Take a photo of your receipt and log into TRI-AD's Benefits on the Go mobile app to submit your claim.
- Log into the online portal and submit your claim with supporting documentation/receipt.