



Frequently Asked Questions about Dependent Care FSA Accounts

Q. What is a Dependent Care Flexible Spending Account?

A. A Dependent Care or “Day Care” Flexible Spending Account (FSA) allows for you to pay for employment-related dependent care services related to the care of a qualifying individual on a pre-tax basis.

Dependent care or day care expenses must be for a qualifying individual who is:

- Your dependent child under the age of 13 and 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

To be eligible for reimbursement under your Dependent Care FSA, an expense must be incurred to enable you (and your spouse, if married) to work or look for work. For this purpose, “work” may include actively looking for work, but it does not 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 your spouse is mentally or physically incapable of self-care.

Q. What do I need to consider if I’m interested in the Dependent Care FSA?

A. There are many things to consider prior to enrolling your company’s Dependent Care FSA program:

1. Before enrolling in a Dependent Care or “Day Care” FSA, make sure you are eligible to participate.*
2. The day care expense must be allowing you and your spouse to work, actively look for work or be a full-time student, and the day care provider must be a licensed provider.
3. Your dependent must live with you and must be under the age of 13 years old or younger. A dependent age 13 or older can be eligible if you can provide proof that the dependent cannot physically or mentally care for him or herself.
4. The care provider cannot be a dependent on your tax return or your child under the age of 19.
5. A Dependent Care or “Day Care” FSA works like a bank account. You cannot be reimbursed more than you have contributed to the account year to date.
6. Some types of expenses are not eligible. These include tuition for school at the kindergarten level or above, overnight camp, nursing home expenses, meals, activity/supply fees and transportation costs. Montessori tuition is not allowable, however charges from a Montessori school for preschool and before and after school care are allowable.

The Dependent Care FSA limit is set by the IRS and is a calendar year limit of **\$5000** per family (\$2500 if married but filing taxes separately). If your plan year is not on a calendar year, take extra care in calculating your annual election.

To decide on an election amount, estimate your day care expense for the entire plan year and take into consideration any school holidays, breaks and summer vacation. Your election will be taken out evenly from each paycheck.

You can make a change to your annual limit if you have a qualifying event. The election change must be consistent with the qualifying event. In addition to the normal list of qualifying events, there are some special events exclusive to the Dependent Care or “Day Care” FSA.

- A change in your day care costs, such as a rate decrease or receiving free day care.
- A change in your need for day care (your spouse loses employment or has a change in work schedule).
- Your dependent ceases to satisfy the eligibility requirements.

**If you are a Highly Compensated employee, the allowable amount of your Dependent Care FSA may be limited by the levels of participation of others in the plan. For more information contact CGI or your Human Resources Department.*