

Determine if your Dependent Care expenses qualify for reimbursement from FSA

The TASC Dependent Care FSA allows you to use pretax dollars to pay for eligible expenses related to care for your child, disabled spouse, elderly parent, or other dependent who is physically or mentally incapable of self-care, so you (or your spouse) can work, look for work, or attend school full time. **Medical expenses for your dependent are not eligible for reimbursement under the TASC Dependent Care FSA.**

Eligibility for the dependent care benefit requires that certain criteria be met, which is outlined in this document.

A) **The dependent care expenses must be work-related.** The care must be necessary for the employee and/or the employee's spouse to work, to look for work, or to attend school full-time, or if they are physically unable to care for their children.

B) **The dependent care expenses provided during a calendar year cannot exceed $5,000.** In the case of a separate return by a married individual, the limit is $2,500. This amount may be less if the employee's earned income or spouse's earned income is less than $5,000.

Dependent care expenses must be for the care of one or more qualifying persons.

A "Qualifying Person" is defined as <u>one</u> of the following:

- A dependent child who was under age 13 when care was provided and for whom a tax exemption can be claimed.
- A spouse who was physically or mentally not able to care for him/herself and lived with you for more than half the year.
- A dependent who was physically or mentally not able to care for him/herself and for whom an exemption can be claimed, and lived with you for more than half the year.

Eligible and Ineligible Expenses for Dependent Care FSA Reimbursement (partial list)

Allowed for Reimbursement:

- ☑ Fees for licensed day care or adult care facilities
- ☑ Before and after school care programs for dependents under age 13
- ☑ Amounts paid for services (including babysitters or nursery school) provided in or outside of your home
- ☑ Nanny expenses attributed to dependent care
- ☑ Nursery school (preschool) fees
- ☑ Summer Day Camp – primary purpose must be custodial care and not educational in nature
- ☑ Late pick-up fees

NOT Allowed for Reimbursement:

- ⃠ Medical expenses
- ⃠ Baby-sitter in or out of your home for reasons other than to enable you to work
- ⃠ Activity fees/ educational supplies
- ⃠ Food, clothing, and entertainment
- ⃠ Transportation expenses
- ⃠ Child support payments
- ⃠ Kindergarten fees
- ⃠ Overnight camp
- ⃠ Late payment charges

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For more information regarding eligible Dependent Care expenses, please review IRS Publication 503 or ask your employer for a copy of your Summary Plan Description (SPD).

You can also find current contribution limits on our resource page at:

www.tasconline.com/benefits-limits

To receive the dependent care benefit, one must follow these procedures:

A) All persons and organizations that provide dependent care for a qualified person must be identified. This information is requested on IRS Form 2441. The name, address, and taxpayer identification number of the provider must be included. Under certain circumstances, the taxpayer identification number will be a social security number.

B) If the care is being provided by a center that cares for more than six persons, the center must comply with all state and local regulations.

C) Payments made to relatives who are not dependents can be included. However, do not include amounts paid to a dependent for whom you can claim an exemption or for your child who is under age 19 at the end of the year, regardless of whether he or she is your dependent.

D) Use Form W-10 to request the required information from the care provider.

Special rules apply to children of divorced or separated parents:

Even if you cannot claim your child as a dependent, he or she is treated as your qualifying person if all of the following are true:

- The child was under age 13 or was not physically or mentally able to care for himself or herself.
- One or both parents provided more than half of the child's support for the year and are divorced, legally separated, or lived apart at all times during the last 6 months of the calendar year.
- One or both parents had custody of the child for more than half of the year.
- You were the child's custodial parent. The custodial parent is the parent having custody for the greater portion of the calendar year. If the child was with both parents for an equal number of nights the parent with the higher adjusted gross income is the custodial parent.

A non-custodial parent that is entitled to claim the child as a dependent on their tax return may not treat the child as a qualifying individual for the dependent care benefit even when that parent is financially responsible for providing the care. Only one parent (the custodial parent) may qualify for the dependent care benefit for a taxable year. The regulations do not provide any relief for a non-custodial parent that incurs dependent care expenses for the portion of the year in which they have custody of the child to enable the non-custodial parent to work.