

DEPENDENT CARE SPENDING ACCOUNT

Do your dependent care expenses qualify for reimbursement?



The Dependent Care Spending Account (DCSA) 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.

Eligible DCSA expenses must meet certain criteria.

- A) **Expenses must be work-related.** The care must be necessary for the participant and/or their spouse to work, look for work or attend school full-time, or because they are physically unable to care for their children.
- B) **Reimbursement during a calendar year cannot exceed \$5,000.** In the case of a separate tax return by a married individual, the limit is \$2,500. This amount may be less if the participant'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 one of the following:

- A dependent child who was younger than age 13 when care was provided and for whom a tax exemption can be claimed.
- A spouse who was physically or mentally unable to care for themselves and who lived with you for more than half the year.
- A dependent who was physically or mentally unable to care for themselves and for whom an exemption can be claimed, and who lived with you for more than half the year.

Eligible and ineligible expenses for DCSA reimbursement (partial list)

Allowed for reimbursement:

- ☒ Fees for licensed day care or adult care facilities
- ☒ Before- and after-school care programs for dependents younger than 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
- ☐ Babysitter in or outside 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

For more information about eligible DCSA expenses, review IRS Publication 503.

You can find current contribution limits at www.SCMoneyPlus.com.

To receive reimbursement

- 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 (TIN) of the provider must be included. Under certain circumstances, the TIN will be a Social Security number (SSN).
- 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 younger than age 19 at the end of the year, regardless of whether they are your dependent.
- D) Use IRS Form W-10 to request the required information from the care provider.

Special rules for children of divorced or separated parents

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

- The child was younger than age 13, or was not physically or mentally able to care for themselves.
- 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 six 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 who 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 who 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.