EVERYTHING YOU EVER WANTED TO KNOW ABOUT A DCFSA

What is a DCFSA?

A D**ependent Care Flexible Spending Account (DCFSA)** is an employer-sponsored healthcare benefit that allows employees to set aside up to $5,000 a year (or $2,500 if single and filing separately) in pre-tax funds to use for qualified expenses for dependent care.

DCFSAs work on an annual plan year basis and are funded through regular payroll deductions. They allow employees to set aside pre-tax dollars to cover qualified expenses for dependent care. They can be paired with an FSA, HSA, LPFSA or HRA.

Who is eligible for a DCFSA?

Most full-time employees are eligible to participate in a DCFSA, however only those who have qualified expenses for dependent care will want to elect one, as funds can only be used for eligible dependent care expenses on qualified dependents.

DID YOU KNOW?

A DCFSA can be used to pay for care that helps you work, like before and after school programs, day care, elder care, nursery school, day camps and more.

FUN FACT /

DCFSA funds can help new parents pay for childcare, which may help ease new financial pressures when transitioning back to the office.

Who can be covered under a DCFSA?

A DCFSA can be used to pay for qualified dependent care expenses for a qualified child who is age 12 or younger and is a tax dependent, or a qualifying spouse or relative who is physically or mentally incapable of self-care and has the same principal abode as the account holder for more than half the year.

DID YOU KNOW?

This benefit isn't just for childcare; if you're caring for an adult dependent, you can use your DCFSA to pay for that care, too.

What can a DCFSA be used for?

A DCFSA can be used to pay for eligible expenses incurred during the plan year that allow the account holder and spouse to be gainfully employed. Eligible expenses include before and after school and/or extended day programs, day care, elder care, nursery school, day camps or similar programs, and babysitting (as long as it's employment related and allows the parents to work or look for work).

What are some examples of expenses that are not eligible with a DCFSA?

Expenses which are not eligible with a DCFSA include overnight camps, schooling for a child in kindergarten or above, or a babysitter for reasons other than for coverage that allows the parent or parents to be gainfully employed.

As DCFSAs are limited to expenses related to the care of qualified dependents, they cannot be used for any other purpose, such as to cover medical, dental or vision related expenses for the account holder or their dependent(s).

Does a DCFSA expire?

Yes. DCFSAs typically run on a 12-month plan year after which funds will expire. Some employers may provide a run-out period for employees to continue to submit claims of qualified expenses incurred within the plan year for up to 3 months following the last day of the plan. Some employers may also offer a grace period in which employees would have 2.5 months after the end of the plan year to spend any remaining funds in their account.

Can you have a DCFSA and also receive the dependent care tax credit?

In many cases, yes. You may be able to take advantage of the dependent care tax credit and also elect a DCFSA, but you cannot claim the same expenses twice. In other words, expenses which are covered under your DCFSA cannot also be claimed under the dependent care tax credit. As DCFSAs are limited to a $5,000 maximum however, many individuals may have qualified dependent care expenses which exceed those that are covered under the DCFSA.

What happens if my child turns 13 during the year in which I have a DCFSA?

If your child turns 13 during the year in which you have a DCFSA, you can no longer use the funds in your DCFSA to pay for the care of that child unless they are physically or mentally incapable of self-care.

A child turning age 13 may be considered a qualifying event to change contributions to the DCFSA mid-year, but it's important that account holders always understand the details of their plan and manage their funds accordingly, as not all plans allow the same rules.