

## Dependent care flexible spending account (FSA or DCFSA) FAQs



### Find answers to all of your questions, below

#### What are the benefits of an FSA?

Your biggest advantage with a flexible spending account (FSA) is the potential income tax savings. Every dollar you set aside in your account reduces how much you pay in income taxes. Plus, you can be reimbursed for qualified expenses that you are already paying for.

#### How does a dependent care FSA work?

- **Funding.** You, the employee, typically contribute a pre-determined amount to your account. In some cases, your employer may also contribute to employee FSAs. (Please contact your Human Resources office for a copy of your employer's contribution schedule.)
- **Accessing funds.** When you have an eligible dependent care expense, pay for it as you normally would and then request reimbursement online. Remember to always keep your receipts.
- **Requesting reimbursement.** It's quick and easy to request reimbursement for eligible expenses paid using personal funds. Our documentation upload features online and on the mobile app will save you time and make your life easier.
- **Mobile app upload.** Take a photo with your phone's camera and the image is submitted in seconds.
- **Online upload.** Sign in to your online account, then browse and upload scanned images directly to your claim. No need for faxing or mailing, and the image is saved with your claim as a record of submission. Please remember that credit card receipts, non-itemized cash register receipts and cancelled checks are not acceptable forms of documentation.
- **Simplify documentation with e-certify.** Our e-certify feature lets you capture your dependent care claim information and provider authorization on the spot using your mobile device, eliminating the need for paper receipts and accelerating reimbursements from your account.
- **Claims processing.** We will promptly process your request and reimburse you either by check or direct deposit if you sign up for that feature. Please note that you will receive your money sooner if you use direct deposit.
- **Account management.** Sign in to the mobile app or your online account regularly to check your account balance and view claim statuses.

### **What types of expenses are eligible?**

There are lots of care types that are covered, so you can work while your loved ones are cared for.

- Before school or after school care (other than tuition)
- Qualifying custodial care for dependent adults
- Licensed day care centers
- Nursery schools or pre-schools
- Child care at a day camp, nursery school, or by a private sitter
- Late pick-up fees
- Summer or holiday day camps

### **What happens if I use the account for a non-eligible expense?**

If you file a manual request for reimbursement of a non-eligible expense, the request will be denied.

### **How much can I contribute to my dependent care FSA?**

For dependent care FSAs, you may contribute up to the IRS maximum limit, unless your employer has set a lower limit. IRS contribution limits are \$5,000 per year if you are married and filing a joint return, or if you are a single parent. If you are married and filing separately, you may contribute up to \$2,500 per year per parent.

### **How does participating in the dependent care account differ from using other tax credits relating to dependents?**

Reimbursements under the dependent care account must be for employment-related expenses, and IRS regulation Section 129 Dependent Care Assistance Programs regulates what expenses may be reimbursed. Employment-related means an expense for dependent care that allows you and your spouse, if applicable, to be gainfully employed.

The Dependent Tax Credit is an alternative to using a Dependent Care account and is a credit against tax liability. IRS Publication 503 Child and Dependent Care Expenses contains detailed information for determining whether a taxpayer may claim the Dependent Care Credit. For some employees, the Dependent Care Credit may be more advantageous than participating in the dependent care FSA, and care should be used in determining which method to select.

### **What happens if I do not claim all the money in my account?**

The IRS regulates flexible spending accounts under IRC 125. According to the IRS guidelines, funds that are not claimed during the plan year are forfeited to the plan. This is called the “use it or lose it” clause. Funds in FSAs subject to this clause are not transferable from one plan year to another and they are not available for other benefits. The unused funds are retained by the plan sponsor, your employer, and can be used to offset administrative costs of the plan.

### **Can I use the dependent care FSA if my provider doesn't report the income to the IRS?**

No. Therefore, we must have your provider's social security number or Employer Identification Number in order to process dependent care claims.

### **What information is reported to the IRS?**

We do not supply information to the IRS related to an individual FSA. The plan sponsor, your employer, may be required to file an IRS form 5500, which includes participation and total disbursement information (does not include individual FSA information), and your participation in the Dependent Care Assistance Program will be reported on your W2 at the end of the year by your employer.

### **Who are qualified dependents?**

Dependents must be either your spouse or someone you can claim as an exemption for federal income tax purposes. To be covered through your dependent care FSA, the individual must meet one of the following criteria:

- Your dependent under age 13 for whom you would be entitled to a deduction under IRS Code 151(c);
- Your dependent who is physically or mentally incapable of caring for him or herself; or,
- Your spouse who is physically or mentally incapable of caring for him or herself.

## How can I find out my account balance and review transactions?

Account balance and claims status information are available any time you need it:

- Use the Optum Bank mobile app or sign in to your online account for balance and transaction information. Your mobile and online accounts are secure and updated in real time.
- Call the Customer Service for automated balance information or speak to a live Customer Service representative 24 hours a day, seven days a week.

## Can I make changes to my FSA election after the plan year starts?

Once an election for the FSA (s) has been made, you cannot change the amount unless you terminate employment with your company or there is an appropriate change in status. Valid changes in status dependent care accounts include:

- **Legal marital status change** – marriage, divorce, death of spouse, legal separation or annulment
- **Change in number of dependents** – birth, adoption, or death of a dependent
- **Employment** – change in employment status of employee, spouse or dependent to include termination, switching from part-time to full-time or vice versa, return from an unpaid leave of absence

- **Residence** – change in the residence of employee, spouse or dependent that changes the service area in which you are located
- **Dependent eligibility** – situations where a dependent satisfies or ceases to satisfy the rules for eligible dependents due to the attainment of age, student status, or similar circumstances as provided in the plan
- **Annual election** changes for changes in cost of coverage

## If my child turns 13 during the plan year, may I still use my dependent care FSA through the end of the plan year?

No. You are no longer eligible to be reimbursed for care for a child as of age 13, unless they are physically or mentally incapable of caring for themselves. Having a child attain age 13 is a qualifying event and a reason to terminate your participation in the plan.

## What happens if my employment terminates?

For a dependent care FSA, your deductions will end when your employment ends. You are eligible to be reimbursed only for services that were received before the end of your former employer's plan year, and you can request reimbursement for these expenses through the end of the plan year plus the allowable run-out period.



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