

Dependent Care FSA: Frequently Asked Questions

What is a Flexible Spending Account (FSA)?

An FSA is an employer-sponsored plan that allows you to deduct pre-tax dollars from your paycheck and deposit them into a special account that's protected from taxes.

What is a Dependent Care FSA?

A Dependent Care FSA is an account that provides pre-tax reimbursement for your eligible dependents' child/elder care expenses. Under certain circumstances, the account may be used to pay for the care of elderly dependents or a disabled spouse or dependent.

Why should I enroll in a Dependent Care FSA?

With an FSA, your out-of-pocket dependent care expenses can be paid with tax-free dollars. The plan can reduce a percentage of your tax liabilities dependent upon your tax bracket. Refer to the IRS link at the bottom of each page and consult with a tax advisor to help you decide whether a tax deduction could be more beneficial.

How does the pre-tax deduction work?

Your election amount will be deducted from your first and second paychecks each month. You will not pay FICA, federal income tax, and state taxes on the election amount at any time. You will be spending tax-free dollars to pay for expenses.

If I have a Dependent Care FSA, can I claim the household and Dependent Care Tax Credit on my tax return?

No. You may not claim any other tax benefit for the tax-free amounts received by you under the Dependent Care FSA. Talk to your tax advisor to get more details.

What do I need to consider when determining if it is better to a) use FSA for dependent care; or b) take the credit on my annual taxes?

The IRS Code also provides for a "Dependent Care Tax Credit" for those paying for dependent care of a child under age 13, or for a spouse or dependent who cannot care for themselves. The expense must be necessary to allow the taxpayer (and spouse, if applicable) to work, seek work, or attend school. To determine the available "Dependent Care Tax Credit, you can consider up to \$3000/annually of child care expenses for one dependent, and a maximum of \$6000/annually for 2 or more dependents. Depending on

your adjusted gross income, the higher your earnings, the lower your tax credit may be.

How do I decide whether a Dependent Care FSA or a Dependent Care Tax Credit works the best for my family?

Your Employee Assistance Program (EAP) benefit includes financial and legal consultation services. Call 1-800-354-3950 or visit www.liveandworkwell.com (access code EAP) to access these services.

- Financial services: a free telephonic consult (up to 60 minutes) with a financial planning expert per issue.
- Legal Services: a free 30 minute consultation with an attorney either by phone or face to face. If you hire the attorney, you receive a 25% discount on services.

If I have a Dependent Care FSA, do I need to report anything on my tax return at the end of the year?

Yes. You must identify all people or organizations that provide care for your child or dependent. You do this by filing IRS Form 2441 - Child and Dependent Care Expenses along with your Form 1040 each year (or Schedule 2 for Form 1040A). The amount withheld from your paycheck during the calendar year will be listed separately on your W2. Please note: The IRS may change these requirements, so talk to your tax advisor for more details.

Who is eligible to participate in a Dependent Care FSA?

Employees scheduled to work 30 or more hours per week that have a dependent, with eligible expenses, which requires care to enable you to go to work. You must also meet one (1) of the following criteria:

- You are unmarried
- Your spouse works, is a full-time student, is actively seeking work, or is disabled (incapable of self-care).
- You are divorced or legally separated and have custody of your child even though your former spouse may claim the child for income tax purposes. Your Dependent Care FSA can be used to pay for child care services provided for the period the child resides with you.

Please refer to the IRS for more information:

Dependent Care Flexible Spending Accounts: go to www.irs.gov/publications/p503

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How do I enroll in a Dependent Care FSA?

You may enroll in the Dependent Care Flexible Spending Account each year during Open Enrollment. Certain Qualifying Life Events also provide the opportunity to make changes to your plan. Your change must be consistent with the Qualifying Life Event. To enroll or make changes to your plan login to the benefit enrollment site at <https://fccbenefits.com>. The Company Key is fcc (all lowercase).

What are examples of Qualifying Life Events that allow me to make changes to my election amount?

- A change in legal marital status
- A change in the number of your dependents
- A change in employment status of you, your spouse, or dependent
- An event causing your dependent to satisfy or cease to satisfy an eligibility requirement for benefits
- A major increase or decrease in the amount you pay an independent, third-party provider which significantly increases or decreases the cost of care.
- A change in dependent care providers.

How do I decide how much money to put into the Dependent Care FSA?

IRS regulations limit the annual contribution to \$5,000 per household per calendar year. This applies if you are married and filing a joint return, or if you are single and the custodial parent of the child filing head of household. Or \$2,500 if you are married filing separately. The deduction will be split between the first and second pays of the month.

When can I start using my Dependent Care FSA funds?

You will only have access to the funds that have already been deducted from your paycheck.

How quickly are my pre-tax dollars available after the payroll deduction?

Once the employer's payroll file is loaded into the system, the dollars will be available for reimbursement the same day.

What dependent care expenses are eligible for reimbursement?

Eligible dependent care expenses may include services provided either inside or outside your home by anyone other than your spouse or a person you list as a dependent for income tax purposes or one of your children under the age of 19. Services may be provided at a child or adult care center, nursery, pre-school, before or after-school, or summer day camp.

When is an expense considered incurred?

This is when the service is actually provided, not when you are billed or pay for services.

What dependent care expenses are not eligible for reimbursement?

The following are expenses not eligible for reimbursement: care for a child age 13 or older, overnight camp, babysitting that is not work-related, music/dance/swim lessons, tuition for kindergarten and higher grades, and long-term care services. Services that are paid to an eligible dependent for babysitting services are also not eligible. All submitted expenses are reviewed for eligibility through our vendor according to applicable Internal Revenue Code Sections.

I pay my neighbor to watch my 13-year-old after school. Is this an eligible expense?

No. To be an eligible expense, the care must be provided to a qualifying individual. A child age 13 or older isn't a qualifying individual.

My 16-year-old daughter cares for my 8-year-old son after school. If I pay my daughter, can I be reimbursed for the expense?

No. You may not be reimbursed for paying an older sibling that you (or your spouse) can claim a personal tax exemption as a dependent. Nor can you be reimbursed for payments made to your child who is younger than age 19 at the end of the plan year.

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How do I use the funds in my Dependent Care FSA?

If you directly pay your care provider, complete a claim form with provider's signature; attach the invoice from the daycare facility or a receipt including dates of service. You can also pay the provider by using your FSA debit VISA Card for the amount available in the account at the time of the swipe. This account is not pre-funded. Verification of the expenses will be required.

My monthly Dependent Care FSA payroll deduction is \$400 but my actual expenses are closer to \$500 a month, how much should I submit my claim form for?

You should file your claim for the actual amount of the expense. The maximum reimbursement you can get is equal to the current account balance in your dependent care FSA. If your request for reimbursement is more than the available balance in your dependent care FSA, the remaining amount will be put on hold and paid when funds are in your account.

When does my debit card expire?

Your FSA Debit card expires every three (3) years.

How do I submit a claim form for reimbursement?

Log into <https://fccbenefits.com> or use the MyChoice Mobile App to submit your claim electronically or you may submit a claim form with documentation via e-mail, fax, or U.S. Mail.

Email: claims@mychoiceaccounts.com

Fax Number: 855-883-8542

U.S. Mail: MyChoice Accounts MSC 345475

PO Box 105168

Atlanta, GA 30348-8542

How will I receive my payment if I submit a manual paper claim form?

There are two (2) ways to receive a payment:

1. Direct Deposit into your checking or savings account
2. Check via U.S. Mail

Who do I contact for questions regarding claim inquiries?

For claims inquiries please contact the FSA Administrator toll-free at (855)883-8541.

What is the run-out period for submitting claims for expenses I pay for during the FSA calendar year?

Claims for expenses that were incurred or took place in the FSA calendar year may be submitted for reimbursement until March 31 of the next year.

What happens if I do not spend all of the money in time?

Money left in your account after the end of the 90-Day run-out period cannot be refunded to you; this is referred to as the "Use-it or lose-it rule".

What happens to the money if I terminate my employment?

Your final paycheck will have the normal deduction and your participation will end. You will only be reimbursed for services incurred on or before your termination date. The run-out period for mid-year terminations is 90 days post termination date.