

Fidelity Health®

# Dependent care flexible spending account (FSA)



## What is a dependent care FSA?

A dependent care FSA allows you to be reimbursed for qualified dependent care expenses so you (and your spouse if you are married) can go to work, look for work, or attend school full time. Your budget doesn't have to take a big hit from your dependent care expenses. Contributing to this type of account reduces your taxable income and allows you to use pre-tax dollars for these expenses throughout the year.

With a dependent care FSA, you elect to have your annual contribution amount deducted from your paycheck in equal installments throughout the year, until you reach the yearly maximum you have specified.

The amount of your pay that goes into a dependent care FSA will not count as taxable income, so you will have immediate tax savings. The IRS sets the contribution limit for dependent care FSAs. For more information, refer to [IRS Publication 503](#) or consult your tax advisor.



### Dependent care expenses

Use your dependent care FSA to reimburse yourself for certain qualified dependent care expenses, as allowed by the IRS. Examples include:

- Babysitting (work-related)
- Before- or after-school programs
- Licensed nursery schools
- Qualified childcare centers
- Custodial elder care (work-related)
- Elder care (while you work, to enable you to work, or to look for work)
- Sick childcare
- Summer camps (for dependent children under age 13)
- Preschool tuition

This list is not meant to be all-inclusive. For a complete list of dependent care expenses, refer to [IRS Publication 503](#).

# Dependent care FSA



## Plan ahead

Before you enroll, you must first decide how much you want to contribute to your account. You will want to spend time estimating your anticipated qualified dependent care expenses for the year.

Dependent care FSA elections are made per plan year.

- The funds you contribute don't roll over from year to year. Typically, you will forfeit any funds left in a dependent care FSA after the end of the plan year.

You'll need to make sure your expenses qualify for dependent care FSA spending.

- It's important to ensure that the funds being used from the dependent care FSA are for qualified expenses. You should consider saving receipts and tracking payments and reimbursements. Receipts should include provider name, provider Tax ID number (or Social Security Number), provider contact information, the dependent name, service dates (begin and end dates), a description of the service, and the expense amount.

## Easy access



You can submit dependent care FSA claims as often as qualified expenses are incurred. Expenses must be incurred during the plan year, and any reimbursements must be requested before the end of the run-out period.

- Reimburse yourself: You can submit a claim by logging in to [NetBenefits®](#) and selecting "Flexible spending and reimbursement accounts." From there, select "Reimburse yourself." You can request a check disbursement or link a bank account for faster transfers. Reimbursements can only be processed for expenses that have already been incurred.
- Debitcard: The debit card can be used for dependent care FSA expenses. When using the debit card, only the cash available in the account at the time of purchase can be used. When necessary, receipts can be easily uploaded to [NetBenefits](#).

# Dependent care FSA



## Frequently asked questions

Who qualifies as an eligible dependent?

An eligible dependent is any dependent under the age of 13 or a dependent who is incapable of taking care of themselves who lives in your home for more than half of the year.

How do I participate in a dependent care FSA?

You must elect to participate during your employer's Annual Enrollment or as the result of a qualifying life event. Contact your benefits administrator for more information.

How can I set up direct deposit?

You can add direct deposit (via a bank account) for all flexible spending and reimbursement accounts by going to [NetBenefits](#) and selecting "Flexible spending and reimbursement accounts." Then select "Link a bank account" and follow the prompts.

When is my money available?

Money is available as it's contributed to your account, typically each payroll cycle. Once you submit a claim, review occurs within 2 business days, and reimbursement can take as little as 3 business days through direct deposit once the claim is approved.

Does money carry over at the end of the plan year?

Dependent care FSA elections, payments, and reimbursements are made per plan year. You will generally forfeit any money left in a dependent care FSA after the end of the plan year. Contact your benefits administrator for more information.

What happens if I terminate employment?

Because your dependent care FSA account is owned by your employer, any remaining funds in your account will be forfeited back to your employer. Most employers offer a run-out period for you to submit claims for qualified expenses incurred while you were still actively employed. Your employer determines the length of the run-out period. After the run-out period, any remaining money in your account will be forfeited back to your employer. Contact your benefits administrator for more information.

# Dependent care FSA



## Frequently asked questions

Can I set up recurring reimbursements for my dependent care provider?

Yes. You can enter recurring claims on [NetBenefits](#), eliminating the need to file for reimbursement for each claim. Recurring claims are input with the applicable information, including the length of time that the recurring claim should be filed.

What do I do if I requested dependent care FSA funds in error or a provider refunds me for an expense that I paid for with my dependent care FSA?

The funds can be refunded to your dependent care FSA via check, along with the claim number, to the standard address on claim notifications. You may also contact our call center to have the corresponding claim denied so that you can repay the claim within [NetBenefits](#).

How much will I really save in taxes by contributing to a dependent care FSA?

Generally, contributions you make to your dependent care FSA are not subject to federal or Social Security taxes. In most instances, there are no state taxes taken out either.

The amount you may save depends upon:

- The amount you put into your dependent care FSA
- The tax percentage you would normally pay on that money (your tax bracket).

Let's say you want \$2,000 taken out of your paycheck this year to put into your dependent care FSA. The money you direct to your dependent care FSA is taken out of your check before taxes are taken out. That reduces your taxable income by \$2,000.

Let's say you normally pay 30% in federal, Social Security, and state taxes on your income. In this example, you would have a tax savings of 30% of the \$2,000. In other words, you could get an estimated tax savings of \$600 on the \$2,000 you directed to your dependent care FSA.

# Dependent care FSA



## Frequently asked questions

How do I change my payroll deduction amount?

Generally, your employer allows changes to your election (that would in turn update your payroll deduction amount) when you have a qualifying life event such as the addition or loss of a qualifying dependent. Changes made during Annual Enrollment would take effect during the following plan year. Contact your benefits administrator for more information.

Your employer sends your payroll contributions to us to include in your dependent care FSA. Whatever amount that is in your account is available on your debit card.

Depending how often in a month you pay your care provider, you may not have a full month's worth of reimbursement until after the month has passed. In such a situation, you may need to pay your care provider via another form of payment if your dependent care FSA has not accumulated enough payroll contributions yet. Sometimes, some participants choose to not use their debit card and just reimburse themselves once contributions are added to their dependent care FSA.

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