

DEPENDENT CARE SPENDING ACCOUNT (DCFSA)

WHAT IS THE MAXIMUM I CAN ELECT?

The maximum you can elect is **\$5,000**.

The maximum tax exclusion permitted during a 12-month calendar year is \$5,000 per individual taxpayer or married couple filing a joint tax return. The maximum amount permitted could be reduced under the following circumstances: (1) If you are married and file a separate tax return, the maximum you may elect is \$2,500; (2) If your spouse earns less than \$5,000, you may not elect more than your spouse earns during the Plan Year; (3) If your spouse is a full-time student or incapable of self-care, the maximum you may elect is \$3,000 for one child in day care or \$5,000 if you have two or more children in day care.

CAN I BE REIMBURSED MORE THAN I'VE HAD DEDUCTED FROM MY PAYCHECK?

At no time can you be reimbursed more than you have actually contributed to your account through payroll deduction.

HOW DO I USE THE DEPENDENT CARE FSA?

The Dependent Care FSA allows you to be reimbursed for custodial or day care expenses for children that are your federal tax dependents under age 13, or for a disabled adult federal tax dependent that lives with you, so that you and your spouse (if applicable) can work, attend school or actively look for work.

Your daycare provider may not be your dependent or child under the age of 19.

Only the Custodial Parent is eligible to participate in the Dependent Care FSA. In the case of divorce, the Custodial Parent is the parent with whom the child lives for MORE THAN 50% of the year. Only one parent can qualify as the Custodial Parent.

QUALIFIED DAYCARE EXPENSES INCLUDE:

- Actual reportable ("above the table") daycare expenses incurred during the plan year (separate fees for services such as transportation, meals, classes, lessons, trips or supplies are not reimbursable unless the charges are included as part of your base fee – not itemized.)
- Day camps, including day camps that focus on specific activities such as sports and arts (overnight camps are excluded even if the camp apportions the day camp and overnight charges.)
- Educational (tuition) charges for kindergarten and over are NOT eligible for reimbursement.
- The maximum amount you may elect is reduced for couples that file separate returns, when one spouse is a student or when a spouse earns little or no income.
- Determine your election amount for the entire plan year. Do NOT elect more than your actual expenses. Your annual election is then deducted pre-tax from your pay in equal installments throughout the plan year.

WHAT IF THE AMOUNT OF MY DAYCARE EXPENSE CHANGES DURING THE YEAR?

In most cases, if you experience a change of status, or the cost for care changes during the plan year, you may be permitted to adjust your election. However, there are significant restrictions. Therefore, you need to choose your election wisely because you will not be permitted to change your election simply because you

elect too much, make a mistake, or even if you just decide to change to a less expensive provider. In any event, you must notify your employer within 30 days of the event that is causing the change. Please refer to your SPD for additional details.

WHICH IS BETTER, THE DEPENDENT CARE FSA OR THE FEDERAL TAX CREDIT?

Generally, the FSA is much better but it depends on a combination of your income, whether you have one or two children in care, and how much you pay for care. The credit is calculated as a percentage of your day care expense. The percentage that you receive depends on your Adjusted Gross Income (AGI). Use the following chart to locate your percentage. To determine the value of your credit, multiply your percentage by the LESSER of the amount you pay for day care or \$3,000 if you have one child in care or \$6,000 if you have two or more children in care.

For example, if your AGI is \$60,000 and you spend \$5,000 for the care of one child, your credit will be \$600 (20% of \$3,000). Conversely, if you use the FSA, you could expect to save as much as \$2,000 in taxes on the same \$5,000 expense. This is why most families choose to participate in the Dependent Care FSA.

For additional information on your estimated federal tax credit based on your AGI please review [IRS Publication 503, Child and Dependent Care Expenses](#).

WHAT IS THE LAST DATE I CAN SUBMIT DEPENDENT CARE FSA CLAIMS FOR THE PLAN YEAR?

If you are an active participant on the last day of the plan year, you are allowed an additional time to submit reimbursement requests of expenses incurred throughout the plan year. This extended time period is referred to as the claim run out (or final claim filing period). Your final filing date is posted online for each benefit you are enrolled in. Please keep in mind that any unused amount left in your account following the final filing date is forfeited at the end of the plan year. This rule is commonly known as “use it or lose it.”

WHAT HAPPENS IF MY EMPLOYMENT TERMINATES OR I LOSE ELIGIBILITY TO PARTICIPATE IN THE PLAN(S)?

For most plans, benefits will not be payable for services rendered after the day on which you lost your eligibility to participate. (Refer to your SPD for specific details and full plan information.)

BASIC pacific must receive your Dependent Care FSA claims for reimbursement no later than the designated final filing date for expenses that were incurred prior to the date your participation ended. Note the final filing period for terminated employees may be limited so submit any qualifying expenses right away should loss of coverage occur midyear.

If you have individual questions prior to enrollment, you may contact **BASIC pacific** directly for assistance.

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