

What Are Eligible Dependent Care Expenses?

Eligible dependent care expenses are generally defined as expenses that allow you (and your spouse, if married) to work, look for work, or attend school as a full-time student.

The following is a list of eligible expenses:

- Care inside your home
- Care outside your home
- Preschool tuition
- Before-school care
- After-school care
- Nursery school
- Day camp fees
- Day care facility fees

When choosing your care provider, there are IRS guidelines to keep in mind. In-home services can be as informal as care provided by your neighbor, as long as, the provider gives a receipt for the fees charged. Your own child can be used as a provider only if he or she is age 19 or older and not still claimed as a dependent on your tax return. Also, a day care center that cares for more than six children must be licensed.

Ineligible Dependent Care Expenses

The following fees are not considered eligible and thus cannot be paid for with your Dependent Care FSA:

- Diaper changing fees
- Discounts
- Entertainment
- Fees for lessons
- Field trips
- Household services
- Kindergarten
- Late fees
- Lunches/Food
- Day care while on maternity leave
- Overnight camp expenses
- Transportation for day care

Let's Take another Look at a Day-Care Expense If Your Total Tax Is 25.37%

Item	Amount	Tax Bracket	Savings	True Cost
Day-Care	\$5,000	25.37%	\$1,268.50	\$3,731.50

Limitations: If you receive Earned Income Credit you will not be able to participate. Also, due to the IRS discrimination testing, if your total compensation will be greater than \$110,000, or you own stock in the company you work for, your election may be reduced or canceled.

Dependent Care FSA Worksheet

Use this work sheet to estimate your eligible dependent care expenses for the next year.

\$ _____ Expenses per week X 52 (Multiply by 52 weeks) = \$ _____ Total annual election

Using Recurring Expense Service

To make your FSA as convenient as possible, the administrative vendor offers a recurring expense service for your Dependent Care FSA. This service pre-certifies your regularly recurring expenses so that you never have to keep a receipt or complete a claim form more than once.

Enrolling is simple. Follow these steps:

1. Complete your portion of the Recurring Expense Service Form.
2. Have an authorized representative of your provider sign the form.

On your payday, your check will be deducted as usual for your FSA contribution. With the service in place, your deduction will be returned to you via check or direct deposit to your checking or savings account. You then pay your pre-certified expenses out-of-pocket with your tax-free dollars.