

## Sample E-mail to Employees after failed Discrimination Testing

Hello \_\_\_\_\_,

I am sorry to let you know that we have failed our annual FSA DCAP testing. This year due to changes in enrollments of our population, we must remove all Highly Compensated Employees from our FSA DCAP. Due to your current annual salary, you are considered a highly compensated employee and will not be eligible for the FSA DCAP. As you probably already know, you cannot participate in the FSA DCAP **and** receive the full Federal Tax Credit for dependents. Since you are no longer participating in the FSA DCAP you will now be eligible for the full Federal Dependent Care Tax Credit.

- If you have a working spouse whose employer offers a FSA DCAP you can join that program subject to testing.
- When you were participating in the FSA DCAP you were only allowed to claim the difference between the maximum allowed Tax Credit and your DCAP total. After being removed from the plan you can apply for the full amount of the Tax Credit if you are not participating in the FSA DCAP due to discrimination testing.

I will reach out to inform you of any mid-year changes that may affect your eligibility status and ask if you would like to reenroll at that time.

Sincerely,