



EMERGENCY RESPONSE BENEFITS

UNIVERSAL BENEFIT ACCOUNT®

Back-Up Care Reimbursement Account

What is the Employee Benefit?

A Back-Up Care Reimbursement Account, funded by employers, offers employees peace of mind when they face unexpected dependent care challenges. It helps employees secure and pay for temporary care for their dependents, young and old, when regular care falls through or when new care needs arise that will exceed what can be paid for through a traditional Dependent Care FSA (DCFSA).

Things to Know:

Plan Design	Employers set the guidelines for their account in their plan design. <i>Example:</i> Annual contribution amount, timing for fund availability, and eligibility and enrollment requirements.
Eligible Expenses	In-home or out-of-home care services for dependents.
Limits	Employers set plan year limits such as a maximum amount that can be reimbursed to an employee for the year.
Eligibility Requirements	<ul style="list-style-type: none"> Any employee is eligible to utilize this benefit account. Employer may choose to designate eligibility by an employee class, such as part-time or full-time status.
Funding	Employer funded
Enrollment	Enroll all employees at once at beginning of plan year, or on a case-by-case basis at any time throughout the year.
Disbursements	<ul style="list-style-type: none"> Verify the request meets eligibility requirements before approving reimbursement. Reimbursement payment to the employee can be used for any purchase or expense.
Tax Benefit	<ul style="list-style-type: none"> Employer contributions are tax deductible as a business expense. Employee reimbursement funds are generally received as taxable income.

Eligible Childcare Providers:

While all eligible expenses for a DCFSA still apply, we'd like to highlight the eligible expense of a "household employee" such as a babysitter, nanny, or non-tax dependent family members. A household employee is defined as an individual who is paid to provide a service within their employer's residence.

Household Employee Earning **less than \$2,200**

- Social Security and Medicare taxes apply to household employee paid \$2,200 or more in cash in 2020. A household employee must share their Social Security Number with the household employer to disclose on their tax return to claim as a Dependent Care FSA eligible expense. Dependent care providers have independent income tax reporting responsibilities for services rendered.

Household Employee Earning **more than \$2,200**

- Although wages above \$2,200 require the filing and reporting of payroll taxes (roughly 8% above wage), if the household employee is not an independent contractor or other defined exceptions, child care expenses are eligible.

**IRS Resources:**

- A licensed childcare provider requirements and exemptions vary by state, but an example of Wisconsin's Child Care Regulation Information includes: <https://dcf.wisconsin.gov/ccregulation>
- IRS Publication 926 Household Employers Guide Tax Guide 2020: <https://www.irs.gov/pub/irs-pdf/p926.pdf>
- IRS Instructions for Form 2441 Child & Dep. Care Expenses: <https://www.irs.gov/pub/irs-pdf/i2441.pdf>
- IRS Publication 503 for Child & Dependent Care Expenses: <https://www.irs.gov/pub/irs-pdf/p503.pdf>

Get started today!

We are ready to help you offer this helpful benefit. Just contact us today via one of the methods below.

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1-888-595-2261