



Dependent Care Flexible Spending Account (DCFSA)

What is the Employee Benefit?

A Dependent Care FSA allows employees to set aside pretax dollars to pay for work-related custodial care for a child under 13 years of age or a dependent over 13 who is mentally and physically incapable of self-care.

Why should you consider making a change?

The COVID-19 pandemic has affected some employee's dependent care needs – including the need to manage virtual learning or hybrid learning during work hours.

Things to Know:

- **Election changes are allowed**

Dependent Care FSA election changes can be made anytime the employee's dependent care needs have been affected (including mid-year elections for eligible employees).

Consider the following needs:

- Dependent care may no longer be needed because an employee's spouse now remains home with their dependents due to a change in job status.
- An employee is deemed an essential employee and they need paid care versus a relative's care or they changed day care arrangements due to new hours and have an increased the cost of care.

- **Account spend down provision can be implemented**

A spend down provision lets terminated employees with a Dependent Care FSA use up their accounts. (This must be put in place prior to your plan year ending.)

- **Household employee as an eligible expense**

A household employee is defined as an individual paid to provide a service within an employer's residence. Examples of a household employees are a babysitter, nanny or non-tax dependent family member. There are tax implications to consider for the household employee. We recommend reviewing:

- IRS Publication 926 Household Employers Guide Tax Guide 2020: <https://www.irs.gov/pub/irs-pdf/p926.pdf>.
- IRS Instructions for Form 2441: <https://www.irs.gov/pub/irs-pdf/i2441.pdf>.
- IRS Publication 503: <https://www.irs.gov/pub/irs-pdf/p503.pdf>.

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