



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 crisis has changed the work landscape including employee's dependent care needs.

Things to Know:

- **Election Changes are Allowed:** Election changes to an employee's Dependent Care FSA can be made anytime the employee's dependent care needs have been affected (including mid-year elections for eligible employees).
 - **Consider the following election change needs:**
 - Dependent care may not be needed during the crisis as the employee now works from home, is unable to get paid care so they remain home with their dependents.
 - There may now be need for care that did not exist before as now employee is an essential employee and rather than using a relative for care, they need paid care.
 - An essential services employee needs to change their day care arrangement because hours now differ which may increase the cost of care.
- **Implementing an Account Spend Down Provision is Allowed:** A spend down provision can be implemented to allow employees with a Dependent Care FSA who have terminated to spend down their accounts. This needs to be put in place prior to your plan year ending.
 - **Consider the following spend down scenario:**
 - An essential employee with a dependent care account is terminated and finds another job.
 - They would benefit by being able to spend monies they had contributed to their Dependent Care FSA with you but had been unable to spend.
- **Eligible Childcare Providers and Expenses:** While all eligible expenses for a Dependent Care FSA still apply during this time for otherwise eligible DC-FSA participants, 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. An example of a Household Employee would be a babysitter or nanny.
 - Household Employee Earning **less than \$2,200**
 - Social Security and Medicare taxes (part of payroll taxes) apply to wages of \$2,200 or more in 2020. A Household Employee would be required to share their social security number with the household employer as it will need to be disclosed on the parent's tax return to claim as a Dependent Care FSA





eligible expense. Dependent care providers have independent income tax reporting responsibilities with respect to payment received for services rendered.

- Household Employee Earning **more than** \$2,200
 - o Although wages above \$2,200 require additional tax-related forms and payroll taxes (roughly 8% above wage), assuming the household employee is not an independent contractor or other definitional exceptions, the child care expenses are now eligible to save 30% of taxable income up to the DC-FSA maximum election amount.
 - o Our recommended Payroll Service includes BASIC Payroll and more information can be found at <https://www.basiconline.com/our-services/payroll/>.
- Additional resources include:
 - o A licensed childcare provider exclusion rules vary by state, but an example of Wisconsin's Child Care Regulation Information includes: <https://dcf.wisconsin.gov/ccregulation>.
 - o IRS Publication 926 Household Employers Guide Tax Guide 2020: <https://www.irs.gov/pub/irs-pdf/p926.pdf>.
 - o IRS Instructions for Form 2441 Child & Dep. Care Expenses: <https://www.irs.gov/pub/irs-pdf/i2441.pdf>.
 - o IRS Publication 503 for Child & Dependent Care Expenses: <https://www.irs.gov/pub/irs-pdf/p503.pdf>.
- Additional resources for participants in need of child care include:
 - o A state-by-state map of licensed child care programs that remain open during COVID-19 can be found here: <https://www.childcareaware.org/resources/map>.
 - o www.care.com
 - o www.urbansitter.com
 - o www.4nannies.com
 - o www.enannysource.com
 - o www.nannynetwork.com

Additional Resources

We want to help! You don't need to be a TASC customer to call our hotline or download our helpful documents.

General questions on this benefit	Want to administer this account yourself	Want guidance for your benefits TPA?	Want to have TASC handle this benefit for you?
Call our Special Forces COVID-19 hotline:  Call 1-833-433-1002	Download our helpful How-To document: Get Started.	Share our How-To document with your administrator: Get Started.	Contact us to do all or part of this work effort for you:  1-888-595-2261, or Get Started.

IMPORTANT NOTE: Implementing or extending the Grace Period may constitute a significant change in coverage resulting in an improvement of a benefit package option. Please see the document under Changes to Plan Configuration and Elections.



Why TASC?

For more than 40 years, TASC has been a leader, an innovator, and a partner of employers committed to ensuring the health wealth and well-being of their employees and their employees' families and community. TASC was a pioneer in assisting sole-proprietor farmers and small business save billions in tax dollars through the adoption of health reimbursement plans; challenging many ill-informed IRS auditors, accountants, and naysayers along the way. TASC, through FlexSystem, brought the idea of a Cafeteria Plans to large and small businesses; challenging the notion that such plans were burdensome, complicated and difficult to administer.

There from the beginning of Section 125, TASC has brought its knowledge and expertise forward with the idea that together we can improve lives of many, strengthen our communities, and make benefits feel like benefits. TASC understands that each employers circumstance is different. TASC offers its guidance based upon the wealth of its experience as an employer and as a benefits administrator. It is not legal or tax advice and should not be taken as such but is offered to prompt knowledgeable inquiry of your plan professionals and provoke thoughtful plan decision making.

TASC provides its clients with an audit guarantee with respect to serviced tax advantaged accounts. Subject to certain conditions and restrictions, this guarantee provides that in the event a client suffers an adverse finding by the IRS or Department of Labor, despite following TASC's plans and procedures, resulting in interest charges and/or assessed penalties, such interest and penalties will be covered by the guarantee.