



## Dependent Care Flexible Spending Accounts

# Maximize your tax savings with a dependent care FSA

Child and dependent care is a large expense for many American families. Millions of people rely on child care to be able to work, while others are responsible for older parents or disabled family members. If you pay for dependent care in order to work, a dependent care flexible spending account (DCFSA) from Omnify offers tax savings that help you make the most of those dollars.

### What is a DCFSA and how does it work?

A dependent care flexible spending account, or DCFSA, is a flexible spending account that lets you set aside pre-tax dollars for dependent care expenses. DCFSA contributions deducted from your paycheck are tax-free and remain tax-free when spent on eligible dependent care expenses. Keep in mind that with a DCFSA, you can only spend up to the amount that's been deducted from your paycheck. When you're ready to make a payment, simply use your benefits card to pay your care provider directly; otherwise, you can submit a claim for reimbursement.

### Why should I enroll?

Participating in a DCFSA is like receiving a 30% discount from your care provider. For example, if a married couple who files taxes jointly contributes \$7,500 in a given year, they'll save \$2,073 in taxes.\* Additionally:

- A DCFSA reduces your taxable income
- It helps you budget for dependent care expenses
- You can pay for dependent care with tax-free dollars
- You can also eliminate reimbursement delays when you use your benefits Visa card

### Who is considered a qualifying dependent?

Qualifying dependents include children under the age of 13 who share the same residence with you, as well as a spouse or qualifying child or relative who is physically or mentally unable to care for him/herself who shares your residence and has income less than the federal exemption amount.

### What are the annual contribution limits?

The IRS limits annual contributions to \$7,500 on income tax returns for single or married filing jointly and \$3,750 for married filing separately.

Tax Status	DCA Contribution	Annual Savings*
Married (filing separately)	\$3,750	\$1,036
Married (filing jointly)	\$7,500	\$2,073
Single	\$7,500	\$2,073

\*For illustrative purposes only. Savings calculations are based on federal tax rate of 15%, State tax rate of 5% and 7.65% FICA. Actual results may vary.

### What expenses are eligible?

DCFSA funds cover costs for your eligible dependents while you're at work, including:

- Before-school or after-school care (excluding tuition)
- Custodial care for dependent adults
- Licensed daycare centers
- Nursery schools or preschools
- Placement fees for a provider such as an au pair
- Day camp or a private sitter
- Late pick-up fees
- Summer or holiday day camps

### What expenses are ineligible?

These items are never eligible for tax-free purchase with DCFSA funds:

- Expenses for children ages 13 and up
- Care provided by a relative who lives in your home or your dependent under age 19
- Educational expenses including kindergarten or private school tuition fees
- Amounts paid for food, clothing, sports lessons, field trips, and entertainment
- Care for dependents while sick employee stays home
- Overnight camp expenses
- Registration fees
- Transportation expenses
- Late payment fees
- Advanced payments

### Questions? Contact us!

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# Dependent care FSA FAQs

## How do I contribute money to my DCFS?

Your annual election will be divided by the number of pay periods in your plan year. This amount will be deducted from your paycheck before taxes are assessed.

## Who qualifies as a dependent?

You can use your DCFS to pay for care for children under age 13 who you claim as dependents, as well as adults or other relatives who are incapable of caring for themselves (if you provide more than 50% of their support).

## What type of care is eligible?

Eligible expenses must be for the purpose of allowing you to work or look for work. Services may be provided at a child or adult care center, nursery, preschool, after-school, summer day camp, or a nanny in your home.

## What type of care is not eligible?

Care expenses that are not eligible to be paid with DCFS funds include care for children over age 13, overnight camps, babysitting that is not work-related, school fees for kindergarten and higher grades, and long-term care services.

## Do I have access to my entire DCFS election amount at the beginning of the year?

No, you will only have access to funds that have already been deducted from your paycheck.

## Are there rules about who can care for my dependents?

Yes. You can't use funds to pay for care provided by a spouse, a person you list as a dependent for income tax purposes, or one of your children under the age of 19.

## How do I use the funds in my account?

If you have a benefits debit card and your care provider accepts credit cards, you may pay directly from your account. Otherwise, simply pay out-of-pocket and then file a reimbursement claim with your expense documentation.

## What happens if I don't spend all of my DCFS funds by the end of the plan year?

Any unused funds at the end of the plan year are forfeited — also called the “use it or lose it” rule — so be sure you're estimating conservatively when you make your annual elections.

## Can I change my election amount mid-year?

Typically, you can't change your contribution amount mid-year. However, if you experience a qualifying event — such as the birth of a new child — or if your child care provider has a change in cost, you may be eligible to adjust your contribution.

## What happens to my DCFS if my employment is terminated?

Participation in your DCFS is also terminated. This means that only expenses that were incurred prior to your termination date are eligible for reimbursement.

## I'm pregnant. Can I start my DCFS with the intent to use the funds for my baby's child care?

It's best to wait until you have the child to start funding a DCFS.



For additional tools, resources, and FAQs, visit [omnifybenefits.com](https://omnifybenefits.com).

