FLEXIBLE SPENDING
DEPENDENT CARE FAQ

Flexible Spending Accounts are designed to supplement other benefits provided by your employer. Your plan document outlines additional eligibility requirements and rules as defined by your plan.

Frequently Asked Questions

How do I enroll in a Dependent Care Account?

During enrollment employees can decide how much money (as determined by your plan within IRS regulations) to put into your account during the year. Generally, the amount you chose will be divided by the number of paychecks in the year and deducted from your paycheck each pay period on a pre-tax basis.

What are the advantages of a DCA account?

With Flexible Spending, your gross taxable income (that income subject to federal taxes) is reduced. The estimated cost of dependent care expenses, previously purchased with after-tax dollars, are now deducted from income before federal taxes are calculated. A substantial increase in take-home pay can result.

Dependent Care Flexible Spending Accounts (DCA) allow employees to set aside money for certain out-of-pocket daycare expenses on a pre-tax basis.

How does this work?

Your elections are payroll deducted and placed in a special account for reimbursements to be issued as claims are incurred. Participants may receive reimbursements up to the total amount contributed through payroll deductions, but not more than their current account balance.

During the year, participants must submit eligible daycare expenses (for qualified dependents) to J.P. Farley for reimbursements. Participants will be asked to supply information about their daycare provider (name, address and tax ID or social security number) when filing their income tax return. Participants cannot take both the Dependent Care FSA deduction and the income tax return deduction for the same expense! Please consult a tax professional for questions regarding income tax preparation.

How much can I contribute?

Your employer sets the maximum and minimum contributions within the allowed limits set by IRS requirements as stated below:

- If married and filing an income tax return jointly, the election must be the lesser of $5,000, the participant's earned income, OR the spouse's earned income for the plan year.
- If married and filing an income tax return separately, the election must be the lesser of $2,500 the participant's earned income, OR the spouse's earned income for the plan year.
- If the participant's spouse is not employed and is disabled, an income equivalent of $200 per month for one dependent or $400 per month for more than one dependent may be used.
- If filing an income tax return as a single parent, the election must be the lesser of $5,000 OR the participant's earned income.

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Can I change my election?

Participants cannot change their individual elections unless they experience a qualifying event (i.e. marital status change, change in number of dependents, change in daycare provider) as determined by their employer.

How do I receive my reimbursement?

Reimbursements may be requested by fax, email or by US mail by submitting claim forms and supporting documentation to the J.P. Farley Corporation, the administrator of this benefit.

Supporting documentation for reimbursement must include the dates of service, the dependent's name and the amount. The daycare provider must also provide their name, address and tax ID number (or social security number, if an individual). The J.P. Farley Corporation has Reimbursement Forms available online at www.jpfarley.com or through your employer for your convenience.

After the claim has been reviewed and the expense approved, payment will be issued to you via check, based upon the processing schedule set by your employer's plan.

What is not eligible?

Services that cannot be reimbursed under IRS rules include:

- Services rendered by a dependent or a spouse
- Services rendered by a child's sibling under 19 years of age
- Services rendered while an employee and/or spouse are not at work – unless a spouse is disabled as defined in IRS guidelines (i.e. overnight summer camps)
- Overnight camps
- Educational expenses for child in Kindergarten or above

Also, remember participants cannot take both the Dependent Care FSA deduction and the income tax return deduction for the same expense.

What happens if I have money left over?

Reimbursements can only be issued for eligible expenses incurred by participants' dependents. Because of IRS rules any money remaining in your account at the end of the plan year and after the corresponding grace period (if applicable to your plan) will be forfeited. Please refer to J.P. Farley's Flexible Spending Account Worksheet for help estimating your FSA contributions for the year.

Where can I learn more?

Section 125 of the Internal Revenue Code contains the most complete information on Flexible Spending Accounts. We make every attempt is made to keep this information up-to-date as periodic changes in legislation by the IRS, FSAs are affected by other legislation as well. The J.P. Farley Corporation's Benefit Specialists will be happy to assist you with any additional questions you may have.

* This information is not intended to replace the health plan document or legislated guidance. Check your health plan for specific coverages.