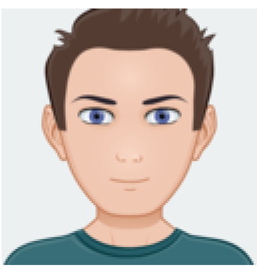
HealthEquity | WageWorks

P.O. Box 60010 Phoenix, AZ 85082-0010

Account Use | Your Dependent Care Flexible Spending Account

DCFSA — Account use and eligibility

Maximize your DCFSA funds when you enroll, spend, and identify eligible dependents



Written by Joe B.
See updates on the: HealthEquity | Help Center

It's important to understand all of the specifics in order to use your DCFSA effectively to provide care for your loved ones.
Read on to find out about your account use and eligibility, or jump to a section with these links:

How do I enroll in a DCFSA?

You enroll in or renew your election in your DCFSA through your employer during your Open Enrollment period each year.

Your human resources department or benefits administrator can tell you when employees in your organization can enroll in a Dependent Care Flexible Spending Account (DCFSA) and help you get started.
Check with your employer to see if they have decided to update plan documentation for your Dependent Care FSA based on recent COVID relief legislation.

Do DCFSA funds roll over?

DCFSA funds do not roll over and must be spent during the plan year.
Any money left in your Dependent Care Flexible Spending Account (DCFSA) at the end of the plan year is forfeited to your employer per IRS regulations, so please plan your contributions and expenses carefully.
Some organizations offer an additional 2 ½ months to spend DCFSA funds at the end of the year. Note that grace periods vary by plan design. Confirm with your employer the rules for your plan.

Can I change my DCFSA election amount after Open Enrollment or during the plan year?

You can only change your election amount if you meet one of the special circumstances set by the IRS and your employer.
Examples of special circumstances include:

- A change in marital status (such as marriage, divorce, or death of your spouse)
- A change in the number of your dependents (such as the birth or adoption of a child, or death of a dependent)
- A change in employment status of you, your spouse or dependent
- An event that causes your dependent to satisfy or cease to satisfy an eligibility requirement for a particular benefit
- A change in residence of you, your spouse or dependent
- A change in cost in coverage

If you believe you qualify for a change of your election, please contact your employer.
Check with your employer to see if they have decided to update plan documentation for your Dependent Care FSA based on recent COVID relief legislation.

What happens to my DCFSA funds if I leave my employer?

Unused DCFSA funds are generally forfeited to your plan provider per IRS regulations.
Depending on your employer's Dependent Care Flexible Spending Account (DCFSA) program, they may offer a period of time after leaving when you can still submit claims so you can spend down funds remaining in your Dependent Care FSA.

- Please keep in mind that you need to incur all eligible expenses before your last day of work.
- We recommend asking your employer about your options.

DCFSA eligible dependents

It’s important to understand the definition of “eligible dependent” in the context of these accounts to make sure your claims are processed and you are reimbursed for your expenses quickly.

You can use your account to pay for the eligible dependent expenses of a qualifying child or relative, as defined in Internal Revenue Code Section 152.
Generally speaking, a qualifying child or relative is:

- Your child under the age of 13
- Your spouse, adult relative or adult child who is physically or mentally incapable of self-care

Definition of “qualifying child or relative”
The term “qualifying child or relative” can be tricky. According to the IRS, a qualifying child or relative can be any of these people:

- Your child, grandchild, stepchild, foster child, or adopted child
- Your spouse*
- Your brother, half-brother or stepbrother; sister, half-sister, or stepsister; nephew or niece
- Your child or grandchild of any of the relatives listed above
- Your father, grandfather, stepfather, mother, grandmother, or stepmother
- Your uncle or aunt
- Your son-, daughter-, father-, mother-, brother- or sister-in-law. Or, any other person who will reside with you for the entire year (while not in violation of local law).

Additionally, if you provide more than 50% of this person's support for the calendar year, and they are not a qualifying child or relative of any other person, s/he is considered your eligible dependent.
Qualifying dependents must:

- Reside with you for more than half the year**
- Regularly spend at least eight hours a day in your home
- Not file a joint tax return with his/her spouse for the calendar year (unless the qualifying relative is your spouse)
- Not be claimed by any other person as a qualifying child for the calendar year***
- Be a citizen, national or resident of the US; or a resident of Canada or Mexico (unless the person is an adopted child)
- Be considered a qualifying child or relative on a daily basis

** At this time, a domestic partner is not considered a spouse under federal law, so a domestic partner's medical expenses cannot be reimbursed under your account unless the domestic partner is a “qualifying relative” of the participant. A qualifying spouse must be legally married.*
*** Disregard temporary absences due to illness, education, business, vacation, or military service. You must maintain a home for the person during the temporary absence and the person must be expected to return after the absence.*
**** If you are not the child’s parent, your adjusted gross income is higher than the adjusted gross income of either of the child’s parents.*
Check with your employer to see if they have decided to update plan documentation for your Dependent Care FSA based on recent COVID relief legislation.

Who is eligible to contribute to the DCFSA?

If the spouses are married, but filing separately, the spouse that is offered the DCFSA is limited to a $2,500 contribution for the tax year. In order for the couple to be allowed to contribute up to the current DCFSA amount of $5,000 for single or married/filing jointly for a tax year, the couple must jointly file their taxes for the applicable tax year.

What are eligibility requirements for the employee and a spouse to reimburse DCFSA expenses?

A dependent care plan can reimburse ”employment related” expenses for the plan participants. Generally, there are two conditions required for an expense to be employment related:

1. The employee must incur the expense to enable the employee and the employee's spouse to be “gainfully employed.”
2. The expense must be for the “care” of one or more “qualifying individuals.” Work can be full-time or part-time.