

DEPENDENT CARE *by BASIC*

Tax Savings

A Dependent Care Flexible Spending Account (DCFSA) is a pre-tax benefit that allows reimbursement for qualified dependent care expenses. Qualified expenses include care for a dependent child under the age of 13* and care for your spouse or adult dependent who is physically or mentally unable to care for themselves.

How it works

Plan participants specify a certain dollar amount to contribute from their paychecks per pay period to their DCFSA. The money is pre-tax, saving participants between 15%-40% for rendered services and lowering their overall tax liability. Unlike a Medical FSA, DCFSAs are a pay-as-you-go account, meaning funds are not advanced by the employer. DCFSAs also differ from traditional FSAs since election amounts can change or stop during the year if expenses change, which significantly reduces the risk of use-it-or-lose-it*.



Eligible Expenses

- Adult daycare
- After-school care/program²
- Au pair/nanny salary and fees
- Babysitting in your home/someone else's home¹
- Babysitting by your relative who is not a tax dependent¹
- Before-school care/program²
- Care when one parent works days and other parent works nights¹
- Care while living in a foreign country¹
- Care while looking for work
- Care while on family, personal or medical leave
- Care while you/spouse is working at self-employment¹
- Child daycare or day camp²
- Custodial elder care¹
- Day nursing care¹
- Employer-provided on-site daycare²
- Federal employment taxes (FICA, FUTA) of Dependent Day Care provider
- Household services related to dependent care
- In-home care¹
- Nighttime care¹
- Nursery school fees or tuition
- Payroll taxes related to eligible dependent care
- Preschool fees or tuition
- Room and board for caregiver (au pair, nanny, etc.)
- Senior daycare¹
- Sick child care¹
- Specialized daycare
- Transportation to and from eligible dependent care (provided by the care provider)

Ineligible Expenses

Note: If you pay for anything other than eligible expenses with your Dependent Day Care FSA, the amount will be taxable, and you will be required to repay the amount or pay an additional 20 percent tax penalty. Below is a partial list of ineligible expenses. For the complete list of eligible and ineligible expenses, visit www.irs.gov and see IRS Publications 503.

- Child care while performing volunteer work
- Educational, learning, or study skills services
- Field trips or sleep-away camp
- Household services (housekeeper, cook, etc.)
- Kindergarten/school tuition
- Meals, food or snacks
- Medical care or expenses
- Nursing home care for dependent adult(s)
- Summer school

1: Care must be work-related. Restrictions may apply. See IRS Publication 503 for more details.

2: Primary purpose must be custodial care, and not educational in nature. See IRS Publication 503 for more details.

*Consolidated Appropriations Act, 2021

The IRS allows companies to customize parts of their plan. The Consolidated Appropriations Act, 2021 allow some changes to plan years ending in 2020 and/or 2021. Please check with your HR Department for plan details.



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