Human Resources

Dependent Care Flexible Spending Account (DC-FSA)

The Dependent Care Flexible Spending Account (DC-FSA) allows you to pay for eligible dependent care expenses with pre-tax dollars. Pre-tax means that your FSA contributions are not subject to Social Security, federal or state income taxes, so your taxable income is reduced by the amount you contribute to the plan.

A Flexible Spending Account (FSA) can be used to pay for dependent care expenses that you incur in order to work. If you are married, your spouse must also work, unless he or she is disabled or a full-time student. Eligible dependent care expenses include the following:

- A licensed child care center
- A nursery school
- In-home care for dependents unable to care for themselves (children and adults)
- Daytime summer camp
- An adult day care center
- An adult private sitter, nanny or home-care companion

When you have an eligible dependent care expense, you simply file a claim and submit it to Human Resources for reimbursement from your Dependent Care Flexible Spending Account.

Important to Note:
According to the IRS, employees may not be reimbursed for dependent care expenses for their same-sex spouse or domestic partner (and/or their children) through a Flexible Spending Account unless they are considered the employee's tax dependents under IRS Code Section 152.

Employees may want to consult a tax advisor to confirm if persons meet the criteria for tax dependents.

IRS Restrictions

Because FSAs provide tax advantages, the IRS imposes certain restrictions on their use. These include the following:

- You must report to the IRS and WHOI the tax identification number of your dependent care provider.
- You must use all of the money in your FSA each calendar year for eligible expenses incurred during that calendar year. Generally, money remaining in a FSA after December 31 will be forfeited. However, WHOI allows for the IRS approved 2-1/2 month grace-period which allows for participants to incur expenses beyond December 31 up through March 15 of the following calendar year to apply to the prior year's FSA. All participants have until March 31 to submit for reimbursement expenses for the previous year's FSA, including any eligible expenses incurred during the 2-1/2 month grace period. Money remaining in your account after March 31 will be forfeited.
- Like your other pre-tax contribution elections, you may not change your FSA contribution amount unless you have had a qualified change in status as defined by the IRS.

To avoid losing any of your contributions as a result of these IRS provisions, you should carefully estimate your anticipated expenses for the coming year when you decide how much you will contribute to the FSA.

Contribution Amounts

You may contribute up to $5,000 per calendar year if you are a single head of household, or if you are married and filing a joint tax return. If you are married and filing separately, you may contribute up to $2,500 per calendar year. Your contributions may not exceed your annual earned income or that of your spouse, whichever is less.

For assistance with determining your annual contribution to your DC-FSA, please use the Dependent Care FSA worksheet (pdf). This worksheet also takes into consideration any subsidy amounts you may be eligible for under the separate Dependent Care Subsidy Program funded by WHOI.

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