



DEPENDENT CARE FLEXIBLE SPENDING

Who qualifies?

If you care for a child or adult who is incapable of self-care, who lives in your home for at least eight hours each day, and whom you can claim as a dependent on your income taxes, you may be able to take advantage of dependent care through a flexible spending account (FSA).

What do I need to know?

- FSAs are not “pre-funded.” With dependent care FSAs, you pay expenses out of pocket, then submit documentation to receive reimbursement based on how much you have withheld from your paycheck for dependent care expenses.
- FSAs typically operate with a “use it or lose it” policy, meaning that you must use all of the money you deposited into the account for qualified expenses by the end of the plan year or you will lose your money.
- Before setting up a dependent care FSA, compare its potential tax benefits with the child and dependent care tax credit. You may not use both.
- You will need to report your FSA contributions on your federal tax return. Also note that participation in a dependent care FSA is not automatic—you must reenroll every year by the enrollment deadline.
- You can only change the amount of money that you choose to have withheld from your paycheck for the FSA within a 31-day window following a qualifying event, such as a marriage, the birth or adoption of a child, the death of a dependent, divorce, or a change in your (or your spouse’s) employment.

How does it work?

Employees authorize a specified amount to be withheld from their paychecks each pay period. Once you have paid for expenses that qualify for reimbursement from the FSA, you will need to provide MOISD Business Office Specialist with itemized receipts or proof of payment. The receipts must include specific information to prove that the payment was for qualified expenses:

- The name of the person who received the service
- The doctor/provider that delivered the service
- The date when services were provided
- A detailed description of the service provided
- The amount paid for the service



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Qualified Expenses

You can only use the money for bills that meet the IRS definition of eligible dependent care service. This means that the services must be necessary for you and/or your spouse to work and earn an income.

Qualified expenses include:

- Physical care
- In-home care, such as a nanny, babysitter (if there to cover for a parent who is at work vs. recreational reasons).
- Institutional-setting care, such as child or adult daycare services, if provided by qualified caregivers.
- Summer day camps
- Before and after-school care
- Transportation provided by a caregiver
- Application fees, deposits, etc. required for obtaining care, but only if care is subsequently provided.

Non-Qualified Expenses

Expenses that **do not** qualify under IRS guideline as FSA-approved, and are therefore ineligible for reimbursement include:

- Education (i.e. kindergarten, summer school, tutoring, school tuition)
- Overnight summer camps
- Enrichment programs and lessons (i.e., music, sports lessons)
- Meals
- Housekeeping

Additional Resources

- MOISD [Dependent Care Reimbursement Plan Document](#)
- IRS [Publication 503: Child and Dependent Care Expenses](#) outlines expenses that qualify for FSA reimbursement.