

Dependent Care Eligible and Non-Eligible Expenses

The following Dependent Care expenses qualify for reimbursement under a Flexible Spending Arrangement.

Dependent care expenses are those that are necessary for you and your spouse (if married) to be gainfully employed.

- Nanny expenses, for services provided inside your home, are eligible to the extent they are attributable to dependent care expenses and expenses of incidental household services.
- Dependent care expenses incurred for services outside your home, providing they are incurred for the care of a qualifying dependent that regularly spends at least 8 hours per day in your home.
- Registration fees to a daycare facility are eligible as long as the fees are allocable to actual care and not described as materials or other fees.
- Nursery school expenses are eligible, even if the school also furnishes lunch and educational services.
- Food and incidental expenses (diapers, activities, etc.) may be eligible if part of dependent care charge.
- Expenses paid to a relative (e.g. child, parent, or grandparent of participant) are eligible. The relative cannot be under age 19 or a tax dependent of the participant
- FICA and FUTA payroll taxes of the daycare provider are eligible.
- Dependent care expenses incurred to enable the employee to find work are eligible.
- The reimbursement may not exceed the smaller of the following limits:
 - The maximum allowed under the plan.
 - \$5,000 (if married and filing a joint tax return) and \$2,500 if single, or separate returns are filed.
 - Your taxable compensation (after all compensation reduction elections).
 - If you are married, your spouse's actual or deemed earned income.

The following Dependent Care expenses do not qualify for reimbursement under a FSA Plan.

- Kindergarten fees are almost always an education expense and should never be reimbursed under a dependent care plan.
- Elementary school expenses for a child in first grade or higher are not eligible.
- Food, transportation, and incidental expenses (diapers, activities, etc.) are not eligible if charged separately from dependent care expenses.
- Expenses paid to a housekeeper, maid, cook, etc. are not eligible, except where incidental to child or dependent adult care.
- Mass transit and parking.

The following **Adoption** expenses **qualify** for reimbursement under an FSA Plan.

- Credit available for expenses up to \$13,810 (for 2018) for each eligible child.
- Credit available for expenses associated with a legal foreign adoption is limited to \$13,810 for each eligible child even if the child is "child with special needs."
- Reasonable and necessary legal adoption fees.
- Court costs and Attorney fees
- Other expenses which are directly related to, and the principal purpose of which is for the legal adoption of an eligible child.

A Qualifying Child is as follows:

- Individual who has not attained the age of 18 as of the time of the adoption.
- Physically or mentally incapable of caring for himself.

A Child with Special Needs:

- Any child who cannot or should not be returned to the home of his or her parents and a specific factor or condition makes it reasonable to conclude that the child cannot be placed with adoptive parents unless assistance is provided as determined by a state.
- The child must be a citizen or resident of the United States.

Income Limitations:

- The credit is phased out ratably for participants with a household modified adjusted gross income over \$207,580 (for 2018) and no credit is allowed to participants with a household modified adjusted gross income of \$247,580 (for 2018)

The following **Adoption** expenses **do not** qualify for reimbursement under an FSA Plan.

- Adoption of a child belonging to the participant's spouse.
- Illegal adoption fees.
- Surrogate parenting arrangements.
- Legal adoption expenses for which another deduction or credit is allowed.