



# Dependent Care:

Managing your benefits  
for changing times

It wasn't that long ago we were dropping off the kids at school or day care and making our way through morning traffic to get to the office. Now, our "new normal" mid-pandemic is one kid playing peek-a-boo with your video conference call while the other is stuck halfway up a tree outside.

## **How can you help your employees manage their dependent care needs and take advantage of existing programs during this challenging period?**

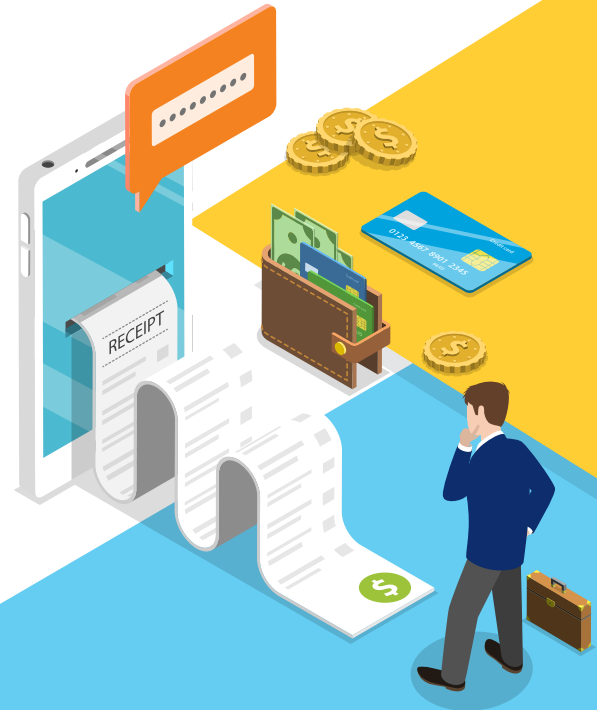
Here are five tips to share with your employees about dependent care FSAs.



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# Review out-of-pocket expenses.

Employees should check their account balances and submit any outstanding 2020 claims and documentation to get money back in their pockets today.



## Take advantage of all claims for 2020.

The IRS-mandated \$5,000 annual maximum does not usually cover all dependent care expenses for the year.

- ▶ Remember that **summer day camps** are eligible expenses.
- ▶ Day camps and child care centers have re-opened at varying levels across the county, and there are still many months left in the year to cover. Having the tax-advantaged savings will continue to pay off throughout the year.



## Review the plan design.

There's some wiggle room to allow employees to change or eliminate their elections if they won't be able to use their election in 2020. The [Section 125 election change in status](#) rules provide significant flexibility for employees to change their DCFSA elections because of changes in work or day care status, such as:

- ▶ Reductions in hours
- ▶ Change in employment status
- ▶ FMLA leave
- ▶ Substantial change in employer benefits or cost
- ▶ Change of cost from the provider
- ▶ Change of provider resulting in change of cost

Source: [SHRM](#)



## Evaluate election options.

Employees in the DCFSA program may want to reduce or suspend their participation if they will not be able to exhaust their funds this year. Additionally, other employees might suddenly need child care for school-age children and want to increase their elections.

The [IRS ruling](#) in May 2020 allows employers to extend an election period for employees to make changes to their dependent care FSAs. Employers may want to take a few action steps regarding this ruling:

- ▶ Open an election window for employees with DCFSA benefits to reduce or increase their elections, regardless of their “life event” status.
- ▶ Determine the effective date of election changes.
- ▶ Work with your DCFSA administrator to amend plan documents.
- ▶ Communicate election options.



## Evaluate election options (continued).

Employees will continue to have access to all funds contributed year-to-effective-date. Refunds for unused funds are not specified by the IRS guidance at this time. Employees should still attempt to exhaust all dependent care FSA funds accrued by year-end. The increase in health care FSA carryover amounts does not apply to dependent care, as there is not a carryover provision for DCFSA's. As of now, the guidance given only affects the 2020 plan year.



## Termed employees should know that the benefit is still available.

Existing DCFSA funds that have not been used are typically still available through the end of the plan year. So, termed employees may be able to count any child care in 2020 against their accrued DCFSA funds and submit requests for reimbursement.



### Bonus Feature

In many instances, DCFSA funds can be used for child care provided while the employee or an employee's partner is actively job-hunting. Tell your employees to consult a tax advisor for details and consult the [IRS dependent care guidelines](#) for more information.

Source: [IRS Publication 503](#)



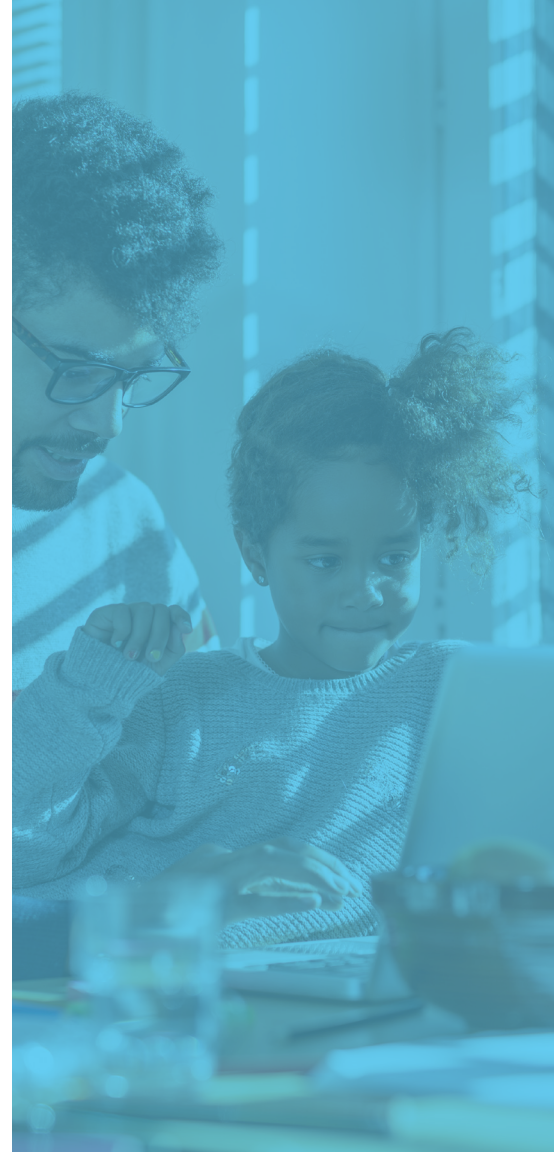


# But wait... there's more!

## Outside-the-Box Benefits

Employers can work with their consumer accounts vendor to set up a post-tax emergency fund, much like an HRA, to support staff and assist them with dependent care and family expenses.

- ▶ Employers can determine how to administer this type of account and which expenses to deem eligible for reimbursement to best support their employees and families.
- ▶ Offering a post-tax emergency fund is a funding vehicle that could allow essential staff to pay for their dependent care expenses.
- ▶ In addition to offering help with dependent care, other examples of eligible expenses could include groceries, out-of-pocket health-related expenses, paycheck supplementation for out-of-work partners, tutoring or alternative schooling options.



We know your employees have families and a wide range of concerns right now. Helping them navigate dependent care options and use their safety nets is a high priority.

**For more guidance about benefits resources and options for COVID-19, please visit our website at [Businessolver.com/NewNormal](https://Businessolver.com/NewNormal)**





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