

Dependent Care Spending Account ABCs

Following are paragraphs of answers related to these topics:

1. What is a Dependent Care Spending Account?
2. What is the subsidy for Dependent Care Spending Account?
3. When may I establish a Dependent Care Spending Account?
4. When may I change my Dependent Care Spending Account?
5. What items may be submitted for my Dependent Care Spending Account?
6. When must forms be submitted to UMR?
7. Is the money frontloaded or can you only receive what you have for an Account Balance?
8. At what point would my account be “lost”?
9. What causes the most employee confusion on Spending Accounts?

1. What is a Dependent Care Spending Account? A Dependent Care Spending Account allows employees to pay babysitting (or elder care) with pre-tax dollars. Employees may be reimbursed for qualified expenses only to the extent that deductions have been made and funds are available. The amount employees contribute do appear on the W-2 forms. The IRS mandates the account be run as: USE IT OR LOSE IT. The Employer ID number or Babysitter's Social Security number must be submitted and reported to the IRS.

2. What is the subsidy for Dependent Care Spending Account? CMH has offered EVERY employee enrolled in the Dependent Care Spending Account a subsidy to help fund the account. The amount is determined by the previous year's tax returns. The total income on the 1040 form determines the level of subsidy:

<u>Total income on previous tax return</u>	<u>Subsidy awarded</u>
Less than \$30,000 25%	
Between \$30,000 and \$60,000	20%
More than \$60,000 15%	

CMMF will fund this amount on your check with the first paycheck in January and the balance of your subsidy later in the year after you have deposited your portion.

3. When may I establish a Spending Account? You are invited to establish spending accounts at hire, during open enrollment or following a Qualifying Event. The IRS clearly mandates changes others than these are not allowed.

Therefore, caution must be given at the time of creating the accounts to avoid over funding them.

4. When may I change my Spending Account? You may change your Spending Account at the time of a Qualifying Event. Changes must be made within one month of the event. Changes are recognized for charges incurred after the Qualifying Event (for example, if an employee owes \$500 for services, has a qualifying event and increases the spending account, that \$500 wouldn't qualify for reimbursement as it was already owed at the time the paperwork was done).

5. What items may be submitted for my Dependent Care Spending Account? Expenses incurred so you may work. Private school is NOT an eligible expense but pre-school and day camp (not overnight) charges may be submitted. Also, you may not pay one of your children to babysit another of your children.

6. When must forms be submitted to UMR Health Services? Forms must be submitted to UMR, MS 6230, Claim Services, PO Box 8022, Wausau, WI 54402-8022. You may fax to them at 877-390-4782 (toll free). UMR's phone number is 1-800-826-9781. You may receive more information on their web-site: www.umar.com.

7. Is the money frontloaded or can you only receive what you have for an Account Balance? You can submit claims at any time but you will only be reimbursed for the amount that is in your account at the time the claim was submitted. Example: If you elected to have a \$5000/yr dependent care spending account your bi-weekly deduction would be \$208.34. Say your daycare expenses are \$125.00 per week. You submit a claim every two weeks in the amount of \$250.00. The total that would be reimbursed to you every two weeks is \$416.68 which is the $\$208.34 \times 2 = \416.68 because that what your account balance is.

8. At what point would my account be lost? Any balance not requested for reimbursement by the last day of the following March will be forfeited.

9. What causes the most employee confusion on Spending Accounts? For the Healthcare Spending Account it is submitting non-qualified expenses for reimbursement. **For the Dependent Care Spending Accounts, it is the timing of reimbursements as they relate to payroll deductions.**