

The Board of Pensions administers the Benefits Plan of the Presbyterian Church (U.S.A.), offering retirement, healthcare, death, and disability benefits to qualifying members. The Board also provides financial and vocational grants through the Assistance Program.

Summary

A dependent care flexible spending account (FSA), sometimes referred to as a DCAP, is a tax-advantaged employer-sponsored benefit that allows employees to set aside pretax dollars to pay for the care of children under age 13, and certain older family members, while the employee works or goes to school. Contributions are not subject to federal taxes as long as the funds are used to pay for qualified expenses allowed by the IRS. Unused funds are lost at the end of the plan year, so it is important for employees to estimate expenses carefully each year they enroll in an FSA.

A dependent care FSA is separate and different from a healthcare FSA, which may be used to pay for qualified medical, dental, and vision expenses that are not covered or reimbursed by any healthcare plan. For more information, refer to Healthcare Flexible Spending Account (FSA) (PTS-665).

Eligibility

The employer sets eligibility requirements, by benefit group and within IRS guidelines, for employees who can participate in an FSA. A self-employed individual is not considered an employee for FSA purposes. A minister of the Word and Sacrament employed by a congregation is an employee for federal income tax purposes even though he or she is considered self-employed for Social Security purposes (paying SECA instead of FICA). Employed ministers are eligible to participate in FSAs.

Contributions

Eligible employees may make dependent care FSA contributions through pretax payroll deductions, up to annual limits set by the IRS. The annual contribution limit for 2019 is \$5,000 (\$2,500 if married and filing separately). FSA enrollments do not automatically renew each year; employees must enroll annually to participate.

Contributions are exempt from federal income and FICA (Social Security and Medicare) taxes. FSA contributions are also exempt from SECA taxes for ministers.

Funds are available to use as they are deposited in the account. Employees may be reimbursed for eligible expenses up to the amount in their account at the time payment is requested.

Tax advantages

Dependent care FSAs are considered *tax-advantaged* because contributions are made on a pretax basis, lowering the amount of taxable income in the current tax year, and distributions for qualified expenses are tax-free.

Qualified expenses

Funds from the dependent care FSA may be used to pay for dependent care expenses for children under age 13 and older family members who are unable to care for themselves and are claimed as dependents on the employee's federal income tax return. Examples of eligible expenses include in-home childcare, payments to licensed day care facilities, before- or after-school programs, and adult day care.

To qualify for a dependent care FSA, the IRS requires dependent care expenses to be necessary for the employee or employee's spouse to work, look for work, or attend school full time. Eligible dependent care expenses are outlined in IRS Publication 503.

Important! The IRS and some states allow a tax credit for the same types of expenses that qualify for the dependent care FSA. Employees cannot claim a tax credit for expenses that are reimbursed from a dependent care FSA. Similarly, the dependent care FSA cannot be used to pay for expenses claimed as an income tax credit. The tax advantages of using a dependent care FSA versus claiming the tax credit vary with individual circumstances. Employees should consult their financial adviser or tax professional to determine which method is better for their situation.

How it works

Here's how a dependent care FSA works:

- The employee estimates qualified dependent care expenses for the upcoming year.
- Next, the employee decides the annual amount to defer from salary — how much to have set aside from each paycheck — to go into the FSA to pay for qualified expenses for the coming year (this amount is called the *election*).
- The money elected for the FSA will be automatically deducted from the participant's paycheck on a pretax basis and credited to the FSA over the course of the year.
- When the employee has an eligible expense, he or she can submit a claim to be reimbursed from the FSA through the Further secure member portal. It is a good idea to save all receipts for reimbursements and to validate expenses.

Important! The IRS has a *use or lose* rule for FSAs. Under this rule, the participant will lose any unused money still in the dependent care FSA at the end of the plan year. Because of this, it is important for participants to estimate expenses carefully each year they enroll in an FSA.

Enrollment

Employees must actively elect to participate in a dependent care FSA. Those who wish to elect a dependent care FSA and are otherwise eligible (see Eligibility) may set up a dependent care FSA with Further, a leading FSA administrator.

FSA fees

Employers will be charged \$3.90 per employee per month for each employee who establishes a healthcare and/or dependent care FSA. Only one fee will be charged per employee, whether the employee has one type of FSA or both. Further will bill each employer directly for this monthly fee. There are no set-up or other annual fees for these accounts.

For more information

Employers with FSA-related questions, should call Further Employer Support at 855-363-2583 between 8 a.m. and 5 p.m. CT, Monday through Friday, or email sales.support@hellofurther.com. For other questions, call the Board at 800-773-7752 (800-PRESPLAN).

This is not a full description of benefits and limitations of the plan. If there is any difference between the information presented here and the provisions of the Benefits Plan of the Presbyterian Church (U.S.A.), the plan terms will govern. Visit pensions.org or call the Board at 800-773-7752 (800-PRESPLAN) for a copy of the plan document.

