

Dependent Care Assistance Plan

The Dependent Care Assistance Plan (DCAP) helps you pay for dependent care expenses you incur for an eligible dependent in order for you (or you and your spouse) to work or to look for work.

Normally you would pay these expenses out of your take-home pay after taxes have been deducted. But with the DCAP, your contributions are deducted before paying taxes and deposited into your account. Then, when you have an eligible expense, you request a tax-free reimbursement. This helps you in two important ways:

- It provides a convenient way to budget for day care expenses as you are setting money aside for those expenses throughout the year;
- It helps reduce the taxes you pay.

Who Is Eligible

To be eligible to be reimbursed from the DCAP, you must be:

- single and working;
- divorced or legally separated and have custody of your child, even if your former spouse claims the child for income tax purposes; or
- married and:
 - both you and your spouse work or are looking for work; or
 - your spouse is a full-time student for at least five months of the year; or
 - your spouse is mentally or physically disabled and unable to care for your eligible dependent(s).

Eligible Dependents

Eligible dependents include only those whom you can claim as an exemption on your Federal Income Tax return, who live with you for more than one-half of the year, and who meet the following criteria:

1. **Dependents under age 13** (at the time care is provided) whom you claim as an exemption on your Federal Income Tax return;
2. **Your spouse who is physically or mentally unable to care for himself/herself**, whom you also claim as an exemption or,
3. **Your dependent who was physically or mentally unable to care for himself/herself**, whom you can claim as an exemption;
4. **Your dependent who was physically or mentally unable to care for himself/herself**, whom the taxpayer would have claimed as a Federal Income Tax exemption were it not for the person having \$3,500** or more of gross income.

Eligible Daycare Expenses

The IRS considers dependent care expenses eligible for reimbursement if they are for qualifying care of eligible dependents and the care allows an employee (and their spouse if married) to work, look for work or attend school full-time. Care may be:

- in home or in a day care facility;
- before or after school care;
- specialty camp if it is serving as day care and is not overnight

The section "Expenses Not for Care" in IRS Publication 503 provides specific information on what types of expenses are not eligible for reimbursement.

Enrollment

You must enroll online:

- within 30 days of hire into an eligible position;
- within 30 days of a qualified status change that changes your need for day care like adding or losing a dependent, marrying or divorcing; or
- during the annual open enrollment period.

Contributions

You select the amount of your monthly contribution. The minimum is \$25 per month. The maximum contribution is based on the following criteria:

Single or married and filing a joint return	\$5,000
Married and filing separate returns	\$2,500
Married and your spouse earns less than \$5,000	Your spouse's annual salary
Married, filing a joint return and spouse is a student or disabled	\$2,400 for one dependent \$4,800 for two dependents

Contributions are split and deducted, pre-tax, from each of your first two paychecks in the month.

When Coverage Starts

Coverage starts on the latest of:

- The first of the month following 30 days of employment if elected when first hired;
- The first of the month following enrollment after a qualified status change;
- July 1 if enrolling during Open Enrollment; or
- The first of the month following your return to work from leave without pay.

When Coverage Ends

Coverage ends on the earliest of:

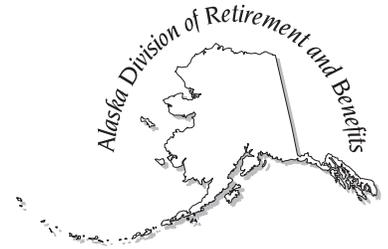
- The last day of the month in which you are in pay status or terminate employment; or
- The last day of the benefit year, June 30, if you do not re-enroll for the following benefit year.

Re-enrollment is required for DCAP during each Open Enrollment

Use It or Lose It

You forfeit any money left in your DCAP after the end of the Benefit Year. You may not receive a refund or carry the money over to the next benefit year.

This is required by the Internal Revenue Service (IRS) and very specific IRS tax rules apply. These tax rules are found in IRS Publication 503 and IRS Form 2441. DCAP rules are derived from Internal Revenue Code (IRC) Section 129 and include many of the definitions and rules from Dependent Care Tax Credit IRC 21. The Alaska Division of Retirement and Benefits recommends carefully planning your expenses and visiting irs.gov to review Publication 503 and Form 2441 and the instructions prior to enrolling in the Dependent Care Assistance Plan. DCAP participants must complete IRS Form 2441 as a part of their Federal Tax returns.



Frequently Asked Questions

If I Enroll in the DCAP, does this eliminate my ability to take the IRS Child/Dependent Tax Credit?

Expenses over and above the DCAP maximum contribution limits may or may not qualify for the IRS tax credit. This is covered under “Dollar Limit” in IRS Publication 503 and on IRS Form 2441. In general though, this depends upon your number of eligible dependents and the total you and your spouse (if married) contribute through this and other similar plans. **Please Note:** The IRS does not permit double dipping.

Will this program give me a bigger tax break than the federal tax credit?

This usually varies for each person. You should fill out IRS Form 2441 (Child and Dependent Care Expenses) to see which would benefit you more (use IRS Publication 503 as a guide). The Division of Retirement and Benefits does not give tax advice. It is your responsibility to contact a tax advisor as necessary for your particular situation.

What happens after I've enrolled?

Once enrolled, half of your monthly contribution amount is deducted pre-tax, from each of two paychecks. The DCAP must receive a full month's contribution prior to allowing a reimbursement. Once your full month's contribution has been received, the DCAP verifies your monthly contribution and posts it to your account the first week of the following month. These contributions are then available in time for a mid-month reimbursement to be issued (approximately the 15th of the month following the month deducted from your gross pay), provided sufficient claim forms are received by the plan on or before the 5th of the month for eligible day care expenses you have already incurred. **For example:** Payroll deducted from your July paychecks would be credited to your account the first week of August and reimbursed mid-August provided sufficient claims are received by August 5th.

How do I request a reimbursement?

Reimbursements will not occur until a completed Request for Reimbursement (claim) form has been received. Claims may be mailed, faxed or hand-carried in to the Juneau office, using the instructions at the top of the claim form. You may file monthly claims or wait and file multiple claims together later in the benefit year; however, the plan must receive all of your day care expense claims for the benefit year no later than 60 days after the end of the benefit year.

What should I know about completing the Dependent Care Assistance Plan claim form?

You may file a claim once a month. If you have more than one bill, file all the month's bills together. If you have more than one care provider, you may submit more than one claim.

The care provider's name must be filled in on the claim form each time, but their address and tax ID number only needs to be completed once each benefit year.

The care provider must either sign the claim form or you must attach an invoice, receipt, or statement (backup) from the provider. If the provider's original signature is present on the claim form, no additional backup is required. If the provider doesn't sign the claim form, original backup from the provider must be attached which includes the provider's name, address, tax ID number, the name of your dependent(s), dates care was provided, and the charges. Photocopies or faxes of backup submitted must be signed by the provider.

The reimbursement claim form may be faxed to meet the 5th or 20th cutoff, **but if the claim amount exceeds \$999.00, the original form must be received before the reimbursement check will be released for mailing.**

How much will my monthly reimbursement be and when will I receive a check?

The plan will reimburse your claim(s) up to the amount remaining in your account at the time of processing. A reimbursement cannot be made for expenses not yet incurred or for expenses in excess of the contributions in your account. Excess claims will be reimbursed once your account balance is sufficient to cover them. The plan will issue reimbursements for less than \$25 only at the end of the benefit year. Reimbursements are processed and issued twice a month (approximately mid-month and end-month). If you wish to be reimbursed mid-month, your claim must be received by the 5th. Claims received after the 5th but by the 20th will be reimbursed at the end of the month. Please refer to the claim form (02-1842) sections three and four for further important details and claims processing instructions.

With the plan year July through June, can payroll deductions from one calendar year reimburse me for dependent care services in a different calendar year?

Yes. We are restricted from reimbursing across benefit years, not calendar years. **For your own tax purposes, you need to keep track of dependent care expenses on a calendar year basis.** The State will keep track of dependent care payroll deductions on a calendar year basis and report this amount in box 10 on your W-2.

Who qualifies as a provider?

Daycare services can be provided inside or outside your home and do not necessarily have to be provided by a licensed daycare facility. Care cannot be provided by a dependent under the age of 19. A more detailed description can be found in IRS Publication 503 and the Optional Benefits Information Booklet.

If I overestimate my monthly payroll deduction, will I be refunded excess money in my account at the end of the benefit year?

No. The DCAP is subject to the “use-it-or-lose-it” rule. Dependent Care Assistance payroll deductions may only be used for dependent care provided during the same benefit year. You have 60 days after the end of a benefit year to file a claim. Excess funds in your account at the end of the benefit year will be forfeited.

What is the most I can have excluded from my income using the Dependent Care Assistance Plan in a calendar year?

The lesser of:

5. the total amount of qualified expenses incurred during the year;
6. your earned income;
7. your spouse's earned income; or
8. \$5,000 (\$2,500 if married filing separately).

I would like the maximum (\$5,000) deducted from my payroll per calendar year, but I have to choose a whole dollar amount for my monthly deduction. How much should I have deducted per month?

You may choose a monthly deduction of \$417 or more per month. The State payroll system limits dependent care payroll deductions to \$5,000 per calendar year and will temporarily suspend your payroll deduction for the remainder of the calendar year once the \$5,000 cap is met. Therefore, if the cap is met between July and December, your monthly Dependent Care Assistance payroll deduction will resume with payroll issued in January.

Where do I get the reimbursement claim form?

Download the DCAP reimbursement claim form from our Web site at alaska.gov/drb.

Alaska Division of Retirement and Benefits

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Customer Service Center

Hours: 10 a.m. - 3:30 p.m.

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