

EMPLOYEES
SAVE up to
\$2,000
with Flex DCAP

Why every employer should have a Section 129 DCAP plan

Section 129 of the Code allows employers with at least 1 full-time employee to establish a special tax-free savings accounts called a Dependent Care Assistance Plan (DCAP).

The DCAP is a Flexible Spending Account (FSA) that employees use to set aside funds for dependent care expenses. It is funded by either the employee or employer on a pre-tax basis.

The Flex DCAP package provides employers with everything they need to establish a Section 129 DCAP plan for an affordable, one-time setup fee, not an annual charge.

Tax Savings for Everyone

Pre-tax treatment of the funds means the employee pays no federal income or payroll tax on DCAP contributions and, in most cases, no state income tax. This is at least a 7.65% FICA tax savings for the employee over their taking the federal Child and Dependent Care Tax Credit at tax time.

Employee contributions to a DCAP FSA are deducted before taxable income is calculated and not counted as taxable income in any way. This means the employer gets equal payroll (FICA) tax savings on DCAP funds.

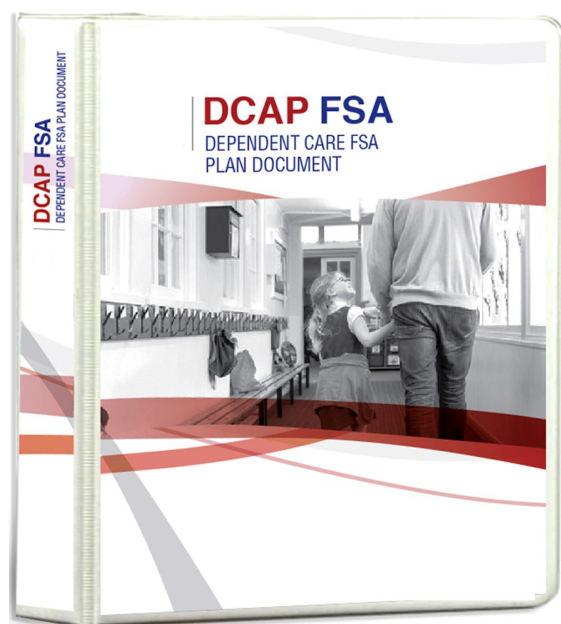
296% ROI for Each Participant

For every employee making the maximum contribution to a DCAP FSA, the employer realizes \$382.50 in FICA tax savings. That's almost three times the cost of the basic Flex DCAP document package to help set up the plan for you -- a 296% return on investment for just one employee that multiplies for each participant in your plan.

And that's why every employer should have a DCAP FSA in their employee benefit plan.

Here's how the Section 129 DCAP FSA plan works:

1. Prior to the beginning of each plan year, an employee estimates how much they will spend in out-of-pocket dependent care expenses during the course of their plan year.
2. This amount is then deducted from the employee's pay check over the course of the plan year (prior to being taxed) and deposited into the employee's DCAP FSA.
3. Your employees pay their qualifying out-of-pocket child and dependent care expenses upfront.
4. Then, the employee submits a claim with documentation to the plan administrator.
5. A reimbursement is made from the employee's DCAP FSA with tax-free dollars, sent to them in the form of a check.



Dependent Care Assistance Plan FSA FAQs

What is the maximum annual benefit amount in a DCAP FSA?

The Section 129 DCAP FSA annual contribution limit is \$5,000 except for those who are "married filing jointly," for whom the limit is \$2,500.

Who is a qualifying dependent for a Dependent Care Assistant FSA?

A qualifying dependent is a dependent or spouse of the enrolled employee who is:

- Under age 13, or
- Mentally or physically incapable of self-care and who the employee claims as a dependent on his or her federal income tax return.

Can a Dependent Care Assistance FSA Plan pay for a babysitter in the employee's home rather than using a daycare facility?

Yes.

Is day camp during the summer qualified childcare?

Yes, if attendance at the camp allows the employee and spouse to work, look for work, or a spouse to attend school full-time.

Does private school tuition qualify?

No. School tuition is not childcare, but before/after school care is a qualified expense.

Does the employee have to submit an identical claim amount every week or can they set up an automatic reimbursement?

Employees must submit a claim every time they wish to request reimbursement of an expense. There is no automated process.

Can employees be reimbursed for dependent daycare expenses once they have paid for them?

Eligible Dependent Care expenses are reimbursable when they are actually incurred. Expenses are treated as incurred when the employee has been provided with the service, not when they are billed or pay for the service. Also, employees may only be reimbursed up to the amount in their account at that time.

Is a Tax Identification Number (TIN) is required on the claim form?

Yes, it is. If the employee's babysitter does not have a TIN, their nine-digit Social Security Number will be used on the claim form.

How do Dependent Care Assistance Plan FSA compare to the Child and Dependent Care Tax Credit?

Since a pre-tax DCAP FSA is exempt from FICA tax, it may offer the employee the best savings. However, if the employee has two or more dependents, the tax credit might be more (\$6,000 for two or more dependents in day care). It may be best for the employee to consult a tax professional if unsure what will work best in their specific situation.

Set up a Flex DCAP in 3 easy steps

Design your plan:

- Choose your plan year according to the calendar (Jan-Dec) or your tax year (Jul-Jun, for example) – a short plan year is available for the first year.
- Determine the rules and limits for your plan – our order form takes you through it step-by-step.

Order your plan:

- Place your order for the Flex DCAP plan document package.
- Your personalized plan document package arrives at your inbox, usually* the same day.

Start your plan:

- Print, review, and sign the plan document where indicated;
- Give a copy of the participant packet to each eligible employee; and then,
- Keep the Flex DCAP plan document on file with other personnel paperwork – there is no requirement to file the plan document with any agency.

*Most complete document orders placed by 3 PM will be emailed out the same day Monday through Friday. Orders placed on weekends are emailed out Monday morning.