

# DEPENDENT DAY CARE REIMBURSEMENT ACCOUNT

*The Dependent Day Care Reimbursement Account may be used to pay dependent care expenses that are necessary for you and your spouse to work.*

## Eligibility

### Employee

Faculty and Staff are eligible to participate in the Dependent Day Care Reimbursement Account if they are employed in a "Regular" position with an FTE of .5 or greater or employed in a "Temporary" position for more than 6 months with an FTE of .5 or greater.

### Dependents

Dependents eligible for reimbursement of Dependent Day Care Reimbursement Account claims include the following:

- Dependent child under the age of 13 for whom the employee is entitled to claim a dependency exemption on their federal income tax return (if employee is a divorced parent, then a child is their dependent if they have custody of the child, even if they are not entitled to claim a dependency exemption).
- The employee's spouse or dependent child age 13 or older who is their dependent under federal tax law (even if the employee cannot claim the dependency exemption on their federal income tax return), but only if the dependent is physically or mentally incapable of self-care.

In addition, the University of Nebraska defines a dependent child as the following:

- Natural-born or legally adopted child;
- Stepchild who is living in the employee's home and is chiefly dependent on the employee for support (must be claimed as an IRS dependent);
- Child for whom the employee has legal guardianship;
- Mentally or physically handicapped child may continue coverage beyond age 13 if proof of disability is provided within 31 days of attaining age 13.

**In addition to** the dependent eligibility requirements noted above, employees must certify that a spouse and/or dependent child satisfies **all of the following** for participation in the Dependent Day Care Reimbursement Account.

- Employee provided over half of the dependent's total support for the calendar year;
- Dependent resided with the employee for more than half of the calendar year;
- Spouse and/or dependent child physically or mentally incapable of self-care whose gross income is less than the dependency exemption amount under Section 151(d) of the Internal Revenue Code;
- Dependent is a U.S. citizen or resident, or a resident of Canada or Mexico for some part of the calendar year in which the employee's tax year began;
- Employee's relationship with the dependent does not violate local law.

## Effective Date of Participation

Participation is effective on the first day of the month following the employee's date of hire or eligibility. Participation for employees hired on the first day of the month or first working day of the month is effective immediately.

## Change in Status Guidelines

Employees may enroll, cancel, or change their Dependent Day Care Reimbursement Account contribution during the calendar year when a Permitted Election Change Event occurs.

Employees must enroll or make a change in contribution within 31 days of the Permitted Election Change Event.

Listed below are several Permitted Election Change Events that may allow an employee to initiate a midyear Dependent Day Care Reimbursement Account change.

- Change in legal marital status
- Change in number of dependent children
- Change in employment status or work schedule which results in a gain or loss of coverage eligibility
- Change in coverage under other employers' benefits plan, if substantial

## Coverage Effective Date as a Result of a Permitted Election Change Event

Coverage changes due to a Permitted Election Change Event will be effective on the first day of the month following the date of the change. Changes however, that occur on the first day of the month will be effective immediately. The employee may be required to furnish appropriate documentation to verify the Permitted Election Change Event. Only those expenses incurred after the effective date of the change will be covered or reimbursable.

## Leave of Absence

Employees may continue Dependent Day Care Reimbursement Account participation while on an approved leave of absence through the end of the calendar year.

## Active Military Duty Leave of Absence

An employee who commences a leave of absence for active duty in the military may cancel Dependent Day Care Reimbursement Account participation during the leave. Upon return from active duty, the employee may reenroll for coverage. The employee may be required to provide documentation to support the date military service ended.

## Termination of Employment

Participation terminates on the last day of the month following the date of termination or date the employee is no longer eligible for coverage. If the date of termination or employee's coverage ineligibility is the last day of the month, coverage will terminate immediately.

## Reimbursement Account Contacts

- UNL: 472-2600
- UNMC: 559-5911
- UNO: 554-3660
- UNK: 865-8522
- UNCA: 472-2600

## Benefits Summary

The Dependent Day Care Reimbursement Account can be used to pay eligible work-related dependent care (day care) expenses. Employees determine how much they want to set aside for dependent care expenses during the year. These expenses must be employment-related, and are the amounts spent in order for the employee and their spouse, if married, to be employed outside of the home. Contributions to the Dependent Day Care Reimbursement Account are withheld from the employee's salary on a pre-tax basis. As dependent care expenses are incurred, reimbursement from the Dependent Day Care Account is made by filing claims.

## Contributions

Employees may contribute up to \$5,000 annually to the Dependent Day Care Reimbursement Account. If both spouses' are employed, the contribution total for both employees cannot exceed \$5,000.

Contributions are withheld on a pre-tax basis and are exempt from both state and federal income taxes and Social Security.

Participating employees are required to make contributions through December 31 of each year.

## Claim Guidelines

Only expenses for services received during the calendar year and after the effective date of coverage may be reimbursed, provided such services were incurred during employment in a benefits eligible status. Expenses are "incurred when the participant is provided with the dependent care that gives rise to the dependent expenses, and not when the participant is formally billed or charged for, or pays for the dependent care."

Contributions not used by the end of the calendar year will be forfeited.

Employees who participate in both the Health Care and Dependent Day Care Accounts may not use money from one account to cover expenses in the other account.

In general, an employee and their spouse may not participate in the Dependent Day Care Reimbursement Account unless both are working.

## Qualifying Dependent Care Expenses

The following are examples of qualifying dependent care expenses that may be reimbursed through the Dependent Day Care Reimbursement Account.

- Each dependent for whom the employee incurs an expense must be a Qualifying Individual—that is, the dependent must be:
  - a dependent child under the age of 13 for whom the employee is entitled to claim a dependency exemption on their federal income tax return (if employee is a divorced parent, then a child is their dependent if they have custody of the child, even if they are not entitled to claim a dependency exemption);
  - the employee's spouse or dependent child age 13 or older who is their dependent under federal tax law (even if the employee cannot claim the dependency exemption on their federal income tax return), but only if the dependent is physically or mentally incapable of self-care.

- No reimbursement will be made to the extent that the amount of such reimbursement is larger than the balance remaining in the employee's Dependent Day Care Reimbursement Account. In addition, no reimbursement will be made to the extent that the amount of such reimbursement, when combined with the total amount of reimbursements made for the Plan Year, would exceed the applicable statutory limit. The applicable statutory limit is the smallest of the following amounts:
  - the employee's earned income for the calendar year;
  - the earned income of the employee's spouse for the calendar year (spouse will be deemed to have earned income of \$250 (\$500 for two or more Qualifying Individuals) for each month in which spouse is (a) physically or mentally incapable of self-care; or (b) a full-time student); or
  - either \$5,000 or \$2,500 for the calendar year, depending on the employee's marital and tax filing status.
  
- Expenses are incurred for services rendered after the date of the employee's election to receive Dependent Day Care Reimbursement Account benefits and during the Plan Year to which the election applies.
- Expenses are incurred in order to enable the employee (and their spouse, if married) to be gainfully employed, which generally means working or looking for work. There is an exception: If spouse is not working or looking for work when the expenses are incurred, then spouse must be a full-time student or be physically or mentally incapable of self-care.
- Employee (or employee and spouse together) are providing at least 50% of the cost of maintaining household, and the expenses are incurred when at least one member of the household is a Qualifying Individual.
- The expenses are incurred for the care of a Qualifying Individual or for household services attributable in part to the care of a Qualifying Individual.
- If the expenses are incurred for services outside the employee's household, they are incurred for the care of (1) a person under age 13 who is the employee's dependent under federal tax law; or (2) the employee's spouse or a person who is their dependent under federal tax law who is physically or mentally incapable of self-care and who regularly spends at least eight hours per day in the employee's household.
- If the expenses are incurred for services provided by a dependent care center (a facility that provides care for more than six individuals not residing at the facility), then the center complies with all applicable state and local laws and regulations.
- The person who provided care was not the employee's spouse or a person for whom the employee is entitled to a personal exemption under Code § 151(c). If the employee's child provided the care, then he or she must be age 19 or older at the end of the year in which the expenses are incurred.
- The expenses are not paid for services outside of the employee's household at a camp where the dependent stays overnight.
- The total amount of reimbursement for the plan year cannot exceed the income of the lower-paid spouse.
- Expenses reimbursed under this plan cannot be claimed as a tax credit on the employee's tax return.

Employees should contact the Campus Benefits Office to verify qualifying expenses which can be reimbursed through the Dependent Day Care Reimbursement Account.

## Filing Claims for Reimbursement

Employees may file dependent care claims at any time during the year by completing a Reimbursement Account Claim Form. Reimbursement Account Claim Forms may be downloaded from this website.

The monthly claims filing deadline includes the following:

- Monthly paid employees: All Dependent Day Care Reimbursement Account claims must be received in the Campus Benefits Office by the 12th of each month.

- Biweekly paid employees: All Dependent Day Care Reimbursement Account claims must be received in the Campus Benefits Office by the pay date prior to the reimbursement payment.

**All dependent care expenses must be submitted for reimbursement by March 31st, following the year in which the expense was incurred. After March 31st, any remaining unreimbursed amounts will be forfeited.**

A Reimbursement Account Claim Form must include the following information:

- The date of service, dependent name, dependent age, care provider's name, provider's Tax ID or Social Security Number, and amount of dependent care expense.
- The IRS does not allow cancelled checks as proof of expense or payment.

Reimbursement Account payments offset the tax credit amount dollar-for-dollar. As a result, most employees cannot use both the tax credit and Reimbursement Account.

Participation in the Dependent Day Care Reimbursement Account may affect the employee's eligibility for the earned income tax credit.

## **Reimbursement Account Payments**

Dependent Day Care Reimbursement Account claims will be paid each pay period based on the claims submission deadline.

Amounts payable from the Dependent Day Care Reimbursement Account will be included in the employee's pay and shown on the payroll advice.

## **Reimbursement Account Claim Form**