

Supreme Court of Pennsylvania



Administrative Office of Pennsylvania Courts

Dependent Care Account Program

Employee Information

For the Unified Judicial System of Pennsylvania

effective July 1, 2004

As revised November 2020

DEPENDENT CARE ACCOUNT PROGRAM

Introduction

The Dependent Care Account Program is authorized by the Supreme Court of Pennsylvania and is administered by the Administrative Office of Pennsylvania Courts (AOPC) in accordance with a Plan Document. The Plan Document is maintained at the AOPC office at 601 Commonwealth Avenue, Harrisburg, Pennsylvania. Information contained in the Plan Document is summarized below. Any difference between this booklet and the Plan Document will be resolved in accordance with the provisions of the Plan Document.

The Dependent Care Account Program allows you to have payroll deductions from your gross salary to pay eligible expenses for child or other dependent care. The amount you have deducted is not subject to Federal, FICA (social security) or FICA-Med (Medicare) taxes and consequently you are able to pay your dependent care costs with pretax earnings. However, these earnings are fully taxable for state and local purposes.

Who is eligible to establish a Dependent Care Account?

You are eligible to establish an account if:

- You are a salaried employee and
- You are single or
- You are married with a working spouse or
 - a spouse who is a full-time student at least 5 months during the year while you are working or
 - a spouse who is incapable of self-care.

Who qualifies as a dependent?

You can use the Dependent Care Account deductions to pay for the care your dependents receive while you are at work. The Working Families Tax Relief Act of 2004 limits “dependents” to *qualifying children and qualifying relatives*. Eligible dependents generally include:

- Your qualifying child who is your dependent and who was under age 13 when the care was provided.
- Your spouse who wasn't physically or mentally able to care for himself or herself and lived with you for more than half the year.
- A person who wasn't physically or mentally able to care for himself or herself, lived with you for more than half the year, and either:
 - Was your dependent, or
 - Would have been your dependent except that:

- He or she received gross income in excess of the limitation established by the IRS. The limitation is subject to change annually.
- He or she filed a joint return, or
- You, or your spouse if filing jointly, could be claimed as a dependent on someone else's tax return.

How much money can I put into my Dependent Care Account?

- In general, you can contribute up to \$5,000 each calendar year. However, there are several exceptions:
- If your spouse is also eligible to participate in a Dependent Care Account, the combined amount you both contribute cannot exceed \$5,000.
- If you are married and have a working spouse, the amount you can contribute cannot exceed the lower of the earned incomes. For example, if your spouse works part-time and earns \$4,000 for the calendar year, your maximum contribution would be \$4,000.
- If you are married and file separate federal income tax returns, the maximum contribution amount is \$2,500.
- Your spouse who is either a full-time student or not able to care for himself or herself is treated as having earned income. His or her earned income for each month is considered to be at least \$250 if there is one qualifying person in your home, or at least \$500 if there are two or more.
- If you contributed to a similar plan with another employer during this calendar year, you are limited to the remaining balance of contributions for which you are eligible for this calendar year.
- The *minimum* Dependent Care Account deduction amount is \$25 per biweekly pay period or \$50 per monthly pay period.

What expenses can be reimbursed from my account?

- Eligible dependent care costs incurred for periods after January 1 of the calendar year or enrollment date whichever is later.
- The cost of a licensed adult or child care facility that complies with local rules and must generally care for at least six individuals.
- Care provided in your home by someone other than your spouse or other dependent.
- Care provided in someone else's home for a dependent under age 13.
- That portion of the cost of care for your dependent provided by a housekeeper while you work.

- That part of school tuition which pays for care before and/or after school.
- Day camp costs.

What expenses cannot be reimbursed from my account?

- Costs incurred for periods before January 1 of the calendar year or date of enrollment whichever is later.
- A claim for benefits can only be submitted after the date in which you have both paid the expense and the relevant dependent care services for that expense has been provided (i.e., prepaid dependent care expenses will not be reimbursed).
- The cost of unlicensed day care facilities.
- Care provided by your spouse or other person you claim as a dependent for federal tax purposes.
- That part of dependent care or school tuition which pays for education, meals, entertainment or transportation of your child.
- Overnight camp.
- Care provided for the time which you are not working.
- Nursing home or other residential facilities for a dependent with a disability who does not live with you.
- Expenses associated with after school programs outside of regular business hours are not eligible for reimbursement.

How do I receive reimbursement from my account?

To receive reimbursement, you must submit a properly completed Dependent Care Reimbursement Form to the Payroll Department along with a receipt or statement of the expenses incurred. The receipt or statement must show the following information:

- The name(s) of the eligible dependent(s).
- The name of the person or organization to whom payments were made and their social security or employer identification number. *Many dependent care providers can supply this information on IRS Form W-10 (Dependent Care Provider's Identification and Certification).*
- The type and dates of services provided.
- The dollar amount of the expense paid.

The receipt or statement must provide the required details. The IRS has determined that canceled checks, statements showing only a balance due or credit card receipts are not acceptable as documentation of dependent care expenses. Be certain to keep copies of your receipts or statements for your records. The originals will not be returned to you.

The reimbursement will be included on your salary check for the first regular payroll period processed by AOPC following the receipt of a properly completed Reimbursement Form and required documentation. You will be reimbursed up to the available balance in your account as of that pay date. If your account balance is not sufficient to cover the amount requested, the remainder will be reimbursed as subsequent deductions are added to your account until that claim is fully reimbursed.

If you leave employment with the Unified Judicial System during the calendar year, you can still be reimbursed for qualified expense incurred during the remainder of the calendar year and grace period. If your new employer also has a Dependent Care Account Program, you will be limited to the remaining balance of contributions for which you are eligible for the calendar year.

What happens if I have a balance in my account at the end of the calendar year?

Internal Revenue Service regulations **require that you forfeit** any balance in your Dependent Care Account at the end of each calendar year after you have been reimbursed for all eligible expenses for that year.

However, the plan has a grace period that runs **until March 1** following the last day of the plan year that allows individuals to submit claims for dependent care expenses that have been both paid and incurred during that period. Claims during this grace period will be reimbursed from any remaining balance in your Dependent Care Account from the prior calendar year. In addition, you have **until March 1 of each year** to submit a reimbursement form for eligible expenses for the prior year or during the grace period.

Any balance remaining in your account after reimbursement of all your eligible expenses for the calendar year and grace period cannot be returned to you or carried forward to the next year. Consequently, it is important that you carefully estimate your eligible expenses for each calendar year when completing the enrollment form.

Examples

On December 31, 2020, you have a \$200 balance in your Dependent Care Account. In the first week of January 2021, you receive and pay a bill of \$250 for eligible dependent care expenses incurred for the prior year. You can submit a Reimbursement Form and be reimbursed for the \$200 so long as your request is received by the AOPC no later than March 1 of 2021.

On December 31, 2020, you have a \$200 balance in your Dependent Care Account. On February 1, 2021, you receive and pay a bill for \$200 for eligible dependent care expenses incurred in January of 2021. You can submit a Reimbursement Form and be reimbursed for the \$200 so long as your request is received by the AOPC no later than March 1 of 2021.

However, if you had been reimbursed for all eligible expenses for the calendar year and during the grace period but still had \$200 remaining in your account, IRS regulations prohibit returning the money to you or applying it to eligible expenses related to the subsequent year. The \$200 would be forfeited and returned to the Unified Judicial System accounts.

When can I change or stop my Dependent Care Account deduction amount during the calendar year?

You cannot change or stop the Dependent Care Account deduction amount specified on your enrollment form until the next open enrollment period unless you have a qualified change of status. (However, your deduction will automatically stop when you reach the annual deduction limit you specify.) The IRS has specified the following list as qualifying Change of Status events which allow an increase, decrease or termination of the deduction amount:

- 01 Birth or adoption of a child
- 02 Placement for adoption
- 03 Gain custody of dependent
- 04 Lose custody of dependent
- 05 Child becomes 13 years old
- 06 Death of dependent
- 07 Marriage
- 08 Annulment
- 09 Legal separation
- 10 Divorce
- 11 Death of a spouse
- 12 Change in residence of self, spouse or dependent that affects eligibility for coverage
- 13 Change in employment status of self, spouse or dependent including the start or end of employment and the beginning or end of leave without pay
- 14 Change in provider
- 15 Significant increase or decrease in cost of dependent care if the provider is not a relative
- 16 Increase or decrease in hours of dependent care
- 17 Dependent receiving care is no longer eligible

Changes to your Dependent Care Account deduction must be made within 60 days of the qualifying event and must be consistent with IRS requirements. To change your deduction amount, you must submit a completed Status Change Form to the Payroll Department. The change will be effective with the first payroll processed by AOPC following the receipt of the completed Status Change Form.

Examples

- If you place another child in day care, you may increase (but not decrease) your Dependent Care deduction.
- If your day care provider goes out of business and your mother offers to care for you child free of charge, you can stop your Dependent Care deduction.

- If your day care cost decreases because your child moves to another age group, you can decrease your Dependent Care deduction.
- Your mother is no longer able to provide free childcare while you work so you will be enrolling your child in a day care facility. You may enroll in the plan and start a payroll deduction.

How do I enroll?

To enroll in the Dependent Care Account Program, you must complete the enrollment form and return it to the AOPC Payroll Department, 601 Commonwealth Avenue, Harrisburg, PA 17106-1260. The payroll deduction will begin with the first payroll processed by AOPC following the receipt of the completed enrollment form. The deduction amount you designate will continue for the remainder of the calendar year, subject to the rules for deduction changes and the annual deduction limit you specify.

Enrollment forms are available on the AOPC Online Services website at https://onlineservices.pacourts.us/ASAP_WEB/public/Payroll.aspx or by calling the Payroll Department (717-231-3325).

- Open Enrollment – Eligible employees may enroll for the following calendar year during the annual open enrollment period conducted each November and December. **Employees who wish to continue participation in the Plan must submit an enrollment form for the following calendar year.** You may make any change to the deduction amount for the following year without regard to a change of status. The payroll deduction will begin with the first regular payroll of the new calendar year.
- New employee enrollment – New employees may enroll within 60 days of the effective date of employment. The payroll deduction will begin with the first payroll processed by AOPC following the receipt of the completed enrollment form.
- Mid-year Enrollment – If you become eligible because of a *Change in Status* (see above), you may enroll within 60 days of the Change of Status occurrence. The payroll deduction will begin with the first payroll processed by AOPC following the receipt of the completed enrollment form.

Will I receive a statement of my Dependent Care Account?

Yes. You will automatically receive a statement showing your payroll deductions, reimbursements paid and account balance of your Dependent Care Account as of June and December of each year. You may also request a statement at any time.

Please note that the Administrative Office of Pennsylvania Courts will not audit or otherwise verify the information submitted on the Enrollment Form, Reimbursement Claim Form or Status Change Form other than for clerical accuracy and completeness. Consequently, the employee is responsible for understanding and complying with the IRS regulations and maintaining documentation for the

information submitted. If you are audited by the IRS, you may have to provide substantiation to them regarding your expenses and/or eligibility.

Frequently Asked Questions

- **My dependent care cost is \$250 per week and I qualify for \$5,000 in annual deductions. Can I have \$500 deducted from my first ten biweekly checks rather than have deductions taken for the entire year.** *Yes. You can specify a deduction amount to match your dependent care costs. However, remember that once selected, the deduction cannot be changed unless you have a qualifying Change of Status. However, your deductions will stop when you have reached the annual deduction limit you specify.*
- **I would like to enroll in the dependent care program solely to pay for costs associated with my child's summer camp. The camp will be for \$500 a month for 3 months over the summer. Can I have \$125 withdrawn from my paycheck every month to cover this cost?** *Yes. You may submit for reimbursement after you have received the dependent care services. If your account balance is not sufficient to cover the amount requested, the remainder will be reimbursed as subsequent deductions are added to your account until that claim is fully reimbursed.*

Example: On August 31st, you submit for reimbursement of \$1,500 of summer camp costs. You will be reimbursed the \$1,000 in your dependent care account as of August 31st and then \$125 each month after the payroll deductions have been made through the remainder of the year.

- **If I decide to terminate my enrollment in the program because I have a qualifying event, what happens to the balance remaining in my account?** *You may continue to submit for reimbursement of expenses incurred through the grace period that runs until March 1 following the last day of the plan year. In accordance with IRS rules, this money CANNOT be returned to you unless you incur eligible expenses.*

Example: If you terminate your enrollment in the program in October due to a qualifying event and you have a remaining balance in your account, you may submit for reimbursement for any eligible expenses incurred November through the grace period (March 1).

If you do not have eligible expenses to submit for reimbursement any remaining balance in your account would be forfeited and returned to the Unified Judicial System accounts.

- **I pay for my child's summer camp in advance, when can I submit for reimbursement of this expense?** *Per IRS rules, you may only submit for reimbursement after the date in which you have both paid the expense and the services for that expense has been provided.*

Example: In April, you pay for your child's summer camp for the month of June. You cannot submit for reimbursement of this expense until after you have received June

services. If the camp was for the entire month of June, then you could not submit for reimbursement until after June 30.

- **Should I adjust my federal withholding if I enroll in this program?** *Because everyone's tax situation is unique, it is not possible to provide a general response to this question. However, employees who participate in the Dependent Care Account Program are encouraged to closely monitor the effect on their federal withholding tax for the year, particularly if you also have deductions for deferred compensation and/or social security integration (SSI).*
- **Can I pay a relative to care for my children?** *Yes, the payments are reimbursable if the relative is not your dependent and is willing to provide you with their social security number and a written receipt for the payments. However, you cannot claim payments made to your spouse or your own child under age 19 or any other person you claim as a dependent.*
- **My spouse has a similar plan and receives reimbursement for our child's day care costs. Can I also be reimbursed from my account?** *Only for amounts not reimbursed from the spouse's plan. You cannot be reimbursed for the same expenses by both plans. Also, please remember that the deductions for you and your spouse cannot exceed a total of \$5,000 per calendar year.*
- **Are residential nursing home charges eligible expenses?** *No. The dependent must reside and be cared for in your home or in a licensed day care facility.*
- **My elderly mother requires care. I pay someone to care for her at her own residence while I work. Is this a qualified expense?** *No. The IRS regulations require that the person needing the care reside in your home for at least half of the tax year.*
- **My spouse was laid-off unexpectedly and we took our child out of day care in the middle of the month. What can I do?** *You can immediately stop your Dependent Care Account deduction. You can apply any balance in your account to qualified dependent care expenses. You can apply for a refund of the deductions taken after the date of the layoff if you apply within 30 days of his or her layoff. However, you cannot be refunded any amount deducted prior to the layoff and not applied to qualified dependent care expenses incurred within the calendar year or during the grace period.*
- **Does participation in the Dependent Care Account affect my state retirement account?** *No. The Dependent Care Account deduction does not affect your state retirement wages or contributions.*
- **Will my dependent care deductions be reported to the IRS?** *Yes. The amount deducted for the year will be reported in Box 10 (Dependent Care Benefits) of the W-2 form. You will also be required to file Form 2441 (Child and Dependent Care Expenses) and report the deduction amount.*

- **Are there reasons not to participate in the Dependent Care Account Program?** Yes. Reasons for not participating may include:
 - Your dependent care provider is unwilling to supply their social security or employer identification number.
 - Only a small portion of your costs qualify for reimbursement.
 - The possibility of forfeiting some of your deductions is a concern.
 - The restrictive regulations and paper work seem burdensome.

- **Are receipts required in order to be reimbursed?** Yes. The IRS does not allow employees to self-substantiate expenses in a dependent care plan. If you lost a receipt, a replacement receipt must be obtained from the provider that describes the service, the date of service and the amount in order to be reimbursed.

- **What constitutes an acceptable receipt when submitting for reimbursement?** IRS regulations require that third-party receipts provide information describing the service, the date of the service and the amount.

- **Can I change my annual deduction election amount after submitting my enrollment form?** Generally NO as elections are irrevocable. It is extremely important you carefully calculate your anticipated annual dependent care costs before submitting the form with your annual deduction elections. In accordance with IRS rules, annual deduction elections **CANNOT** be changed due to an error or miscalculation of costs. Annual deduction election changes can only be made if you meet the criteria of a qualifying event described above.

- **Are expenses incurred prior to an employee enrolling in the program eligible for reimbursement?** No. Only services received after the date of enrollment for that service period are eligible for reimbursement.

Example: You enroll in the program on August 1, 2021 because you have a qualifying event, only expenses for services you received on or after August 1st are eligible for reimbursement from your dependent care account. An invoice for July 2021 services is not eligible for reimbursement.

- **Does the dependent care program have a carryover provision?** No. However, our dependent care plan does allow for a grace period that runs until March 1 following the last day of the plan year. The grace period allows individuals to submit claims for dependent care expenses that have been incurred during the period January 1 through March 1 to be reimbursed from any remaining balance in your Dependent Care Account from the prior calendar year.

- **I made an election for \$5,000 but I just realized I was only eligible to have a maximum deduction of \$2,500 because my spouse and I file separate federal income tax returns. What can I do?** Additional tax will be owed when you file your tax return for any dependent care reimbursements you received over \$2,500.