

## **Dependent Care Flexible Spending Account Program (DepCare FSA) for Academic Student Employees and Graduate Student Researchers**

### **Background**

Effective January 1, 2009, under the terms of a collective bargaining agreement, a group of student employees became entitled to participate in the non-student UC-sponsored Dependent Care Flexible Spending Account (DepCare FSA) plan for faculty and staff employees. This group includes Academic Student Employees (ASE) represented by the UAW and Graduate Student Researchers (GSR) represented by the UAW who meet the eligibility requirements based on title code and appointment percentage (43.75% or more). The group is permitted to participate under the collective bargaining agreement. Continuation of the program is subject to collective bargaining.

### **Eligibility for DepCare FSA**

An ASE or a GSR with an approved title code and an eligible appointment at 43.75% time or greater may enroll in the program. An ASE or GSR with multiple appointments is eligible if the combined eligible appointments equal at least 43.75%.

An ASE may also be eligible for the *ASE Child Care Reimbursement Program*, a separate program effective 7/1/08. GSRs are **not** eligible for the *ASE Child Care Reimbursement Program*.

The compensation GSR Fellows and GSR Trainees receive under their awards is not considered wages making them ineligible to participate in this program.

### **Enrollment in DepCare FSA**

Newly hired ASEs and GSRs have a 31-day period of initial eligibility (PIE) to enroll in the DepCare FSA. The employee may have additional PIEs during the calendar year if they experience a change in family status or employment status.

Enrollment in the DepCare FSA must be elected each calendar year and must be prospective from the date of the election and is dependent on the date the enrollment form is submitted and processed.

## Procedures and Processes

### UCOP (Human Resources & Benefits)

A UCnet website explaining the ASE/GSR DepCare FSA is available at <http://ucnet.universityofcalifornia.edu/compensation-and-benefits/other-benefits/flexible-spending-accounts/ase-depcare/index.html>. The website includes general information and Frequently Asked Questions for the DepCare FSA. Campus Offices may provide a direct link to this website from local sites.

ASE/GSR should read and understand all benefits and potential risks prior to enrollment in the DepCare FSA. This is a pre-tax account regulated by the Internal Revenue Code (IRC) – funds not used are forfeited. This is a *“use it or lose it”* account.

The ASE/GSR completes the DepCare FSA enrollment via UCPATH Online or by submitting an enrollment form to UCPATH.

ASE/GSR will follow all claim procedures for the DepCare FSA, per information provided by the University’s current FSA administrator, and in the Dependent Care Flexible Spending Account Summary Plan Description.

Reimbursement for eligible expenses will be made to the ASE/GSR directly from the third party vendor, via check mailed directly to the employee or direct deposit to employee’s bank account if the employee elects this option.

ASEs who may also be eligible for the Child Care Reimbursement Program may not request reimbursement for the same expense from both the ASE Child Care Reimbursement Program and the DepCare FSA. The third party administrator’s reimbursement form requires an employee to certify that the expense is not being claimed under any other program.

ASE/GSR who are eligible for DepCare FSA are assigned a G=Graduate Benefits Code on the Administration Eligibility Configuration Field 1 and 2. This identifies the ASE/GSR as eligible only for the DepCare FSA benefit and no other benefits.

The responsible campus office should provide information on the DepCare FSA to eligible employees on or before the date their PIE begins. Additionally, ASEs/GSRs should be made aware of a campus resource that can address questions they may have about the DepCare FSA. The ASE/GSR should read and understand all benefits and potential risks prior to enrollment in the DepCare FSA. This is a pre-tax account regulated by the IRC – funds not used are forfeited. This is a *“use it or lose it”* account.

## Administrative Questions & Answers

- 1. Because the employee may receive a new appointment more than once in a given year, he/she may potentially be eligible to sign up for the DepCare FSA more than once. Who keeps track to make sure that the annual limit per plan year has not been exceeded?**

UCPath maintains the YTD annual limit and that will ensure the employee does not exceed that limit. Current UC Group Insurance and IRC Regulations define whether the annual contribution can be changed due to a new appointment.

- 2. If ASEs or GSRs work in the spring and the fall quarter, do they have to keep the same monthly deduction amount or can they change their monthly and/or annual contribution amount?**

It will depend on the length of time between the appointments. If the employee is rehired or reappointed within less than 120 days within the same plan year, enrollment is limited to the monthly salary reduction agreement in effect at the time of termination (end of eligible appointment). However, if the employee has a change in family or employment status during the break in service, he or she may potentially make a change in the contribution amount depending on the type of status change.

If the employee is rehired or reappointed in the next plan year or with a break in service of 120 days or more within the same plan year, the employee is treated as a newly eligible employee.

Note: if the employee has a change in family or employment status during the break in service, he or she may potentially make a change in the contribution amount depending on the type of status change.

- 3. What will be the termination date of DepCare FSA coverage? How is it related to the end date of the employee's appointment? How is it related to the last deduction?**

Employees' contributions continue only as long as they remain on active pay status and are otherwise eligible. If you are paid monthly, Dependent Care coverage ends the last day of the month in which you separate from UC or eligibility ceases. If you are paid biweekly, coverage ends the last day of the pay period in which you made your final Dependent Care contribution. You may continue to submit claims for expenses incurred up to the coverage end date, until the deadline for the plan year.

## Questions & Answers for ASEs and GSRs

### 1. How does this program work?

This program is mainly a tax savings program for employees with dependent care (child care, spousal or parental care) needs. Basically, employees ask the University to deduct an amount, determined by the employee, from their monthly paycheck on a pre-tax basis. Then employees submit documentation for the dependent care expenses that they have incurred and the University's DepCare FSA third party administrator submits reimbursement to the employee. The only benefit is in tax savings. Participants must be careful about the amount they set aside, because any funds they don't use are forfeited – i.e. "use it or lose it."

### 2. When the DepCare FSA is elected, will the annual DepCare FSA limit be reduced by amounts reimbursed under the ASE Child Care Reimbursement program (which is found under the same article of the contract)?

No. Reimbursements paid to ASEs under the Child Care Reimbursement Program are treated as additional wages; such reimbursements will not reduce the maximum pre-tax amount that can be deducted from the employee's paycheck under the DepCare FSA. However, the same expense cannot be claimed under both programs.

### 3. If GSRs can participate in the DepCare FSA, can they participate in the Child Care Reimbursement Program for ASE?

No. Article 4 of the University of California's ASE collective bargaining agreement with the UAW established a child care reimbursement provision for exclusively represented Academic Student Employees.

### 4. If the spouse of the ASE/GSR is unemployed, may the employee participate in DepCare FSA?

Generally, no. If the employee's spouse is capable of self-care, unemployed and is not a full-time student, the employee may not be eligible to participate in the DepCare FSA plan. The employee should consult a tax advisor before enrolling.

### 5. Can I claim the child care credit on my tax form if I participate in the DepCare FSA or ASE Child Care Reimbursement Program?

For information on the impact of enrollment in the DepCare FSA on potential child care tax credits, see the DepCare FSA Summary Plan Description. Regarding the Child Care Reimbursement Program, even though the reimbursement received under the ASE Child Care Program represents taxable wages to the employees, the amounts paid by the ASE employees for child care services may be allowable for the 'dependent care services' tax credit set forth in Section 21 of the Internal Revenue Code. Unlike programs such as the DepCare FSA that serve to reduce the amount of taxable income against which the tax percentage is applied, a tax credit is a dollar-for-dollar reduction in the taxpayer's tax liability and is therefore significantly more valuable than a reduction in taxable income. Employees should consult with a tax advisor regarding the best option for their particular situation.

