



## TABLE OF COMMON DCAP EXPENSES

### TPSC BENEFITS

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Each expense in the table has been identified in Column 2 as a “potentially qualifying expense” or “not a qualifying expense.” These designations are the views of TPSC Benefits and are not always based on official guidance reasonable minds can differ on them.

*Potentially Qualifying Expense.* These are expenses that qualify for reimbursement by a DCAP if they are employment related. That is, if they are for the care of one or more qualifying individuals and enable the participant and spouse to be gainfully employed. There must be appropriate substantiation that the expense is employment related.

*Not a Qualifying Expense.* These are expenses in one of the following two categories:

- Expenses that are generally known to be incurred primarily for personal purposes and are not employment related. These expenses almost never qualify for reimbursement from a DCAP. Expenses in this category theoretically could qualify in the extremely rare case where the participant can overcome a strong presumption of non-qualification and prove that, based on all the facts and circumstances and taking into account the prevailing IRS guidance, the expense is employment related.
- Expenses for which reimbursement is not allowed under statutory or regulatory provisions, even if they might seem to be employment related (for example, care provided by an employee’s child under age 19 cannot be reimbursed under a DCAP).

**Why Aren’t Any Expenses in the Table Identified as Qualifying Expenses?** While the table of common expenses that are for health care identifies certain items and services as “qualifying expenses,” none of the expenses in this table are so identified. That’s because most dependent care expenses are inherently dual purpose that is, they can only be reimbursed by a DCAP if they enable the participant and spouse to be gainfully employed.

EXPENSE	IS EXPENSE A QUALIFYING EXPENSE?	COMMENTS AND SPECIAL RULES
<b>After-school care or extended day programs (supervised activities for children after the regular school program)</b>	Potentially qualifying expense	Will qualify if used to enable the employee and spouse to be gainfully employed. These programs generally are not educational in nature. Their primary purpose is to care for children while parents are at work. However, educational expenses (e.g., tuition) won’t qualify.
<b>Agency fee</b>	Potentially qualifying expense	Will qualify if it is an expense that must be paid in order to obtain the related care. However, the fee should not be reimbursed until care is provided. Fees that are forfeited (e.g., because the employee selects a different provider) will not qualify.
<b>Application fees</b>	Potentially qualifying expense	
<b>Assisted living</b>		See <b>Custodial</b> care and <b>Elder</b> care.
<b>Au pair</b>	Potentially qualifying expense	Amounts paid to an au pair to care for a qualifying individual may qualify as dependent care assistance expenses. In addition, an up-front fee paid to employ the au pair may qualify as a child-care expense if it is an expense that must be paid in order to obtain the related care, but it should not be reimbursed until care is provided.

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<b>Babysitter (inside or outside participant's household)</b>	Potentially qualifying expense	Will qualify unless the babysitter is (1) under age 19 and is the employee's child, stepchild, or eligible foster child; (2) an individual for whom the employee or spouse can claim a deduction on IRS Form 1040; (3) the employee's spouse; or (4) a parent of the employee's under-age-13 qualifying child. *However, the cost of a babysitter while an employee and spouse go out to eat is not normally a work-related expense and generally won't qualify.
<b>Backup or emergency care</b>	Potentially qualifying expense	Will qualify if used to enable the employee and spouse to be gainfully employed and other applicable conditions are met.
<b>Bartender</b>	Not a qualifying expense	
<b>Before-school care or extended day programs (supervised activities for children before the regular school program)</b>	Potentially qualifying expense	Will qualify if used to enable the employee and spouse to be gainfully employed *These programs generally are not educational in nature. Their primary purpose is to care for children while parents are at work. However, educational expenses (e.g., tuition) won't qualify.
<b>Boarding school</b>	Potentially qualifying expense	Generally won't qualify. See also <b>Overnight camp</b> .
<b>Camp</b>		See <b>Day camp</b> and <b>Overnight camp</b> .
<b>Chauffeur</b>	Not a qualifying expense	
<b>Child of employee under age 19, amounts paid to</b>	Not a qualifying expense	See also <b>Relative</b> .
<b>Child of employee age 19 or over, amounts paid to</b>	Potentially qualifying expense	Will qualify only if neither the employee nor the spouse can claim an exemption for the child. See also <b>Relative</b> .
<b>Classes (music, dance, swimming, etc.)</b>	Not a qualifying expense	Such expenses are primarily educational in nature. But see <b>Day camp</b> .
<b>Clothing</b>	Potentially qualifying expense	Won't qualify if charged separately from dependent care expense. Small amounts may qualify if incidental to and inseparably a part of the dependent care (e.g., a T-shirt included with preschool care).
<b>Cook</b>	Potentially qualifying expense	Generally won't qualify. However, amounts paid for the services of a cook may be expenses for household services (and thus possibly may qualify) if a part of those services is provided to the qualifying individual. *Expenses for such services are likely to be closely scrutinized by the IRS.
<b>Custodial care</b>	Potentially qualifying expense	Will qualify only if (1) such expenses are not attributable to medical services; (2) the person in custody is a qualifying individual; and (3) the qualifying individual (other than a qualifying child under age 13) still spends at least eight hours each day in the employee's household. Note that long-term care insurance cannot be offered under a cafeteria plane. See also <b>Elder care</b> .
<b>Day camp</b>	Potentially qualifying expense	The cost of a day camp or a similar program to care for a qualifying individual may qualify, even if the day camp specializes in a particular activity (e.g., soccer or computers). But see <b>Overnight camp</b> . Separate equipment or similar charges (e.g., a laptop rental fee for a computer camp) won't qualify. Also, summer school expenses are considered primarily for education rather than for care and won't qualify. See <b>Tuition expenses</b> . Note that, depending on the circumstances, a day camp may be considered a dependent care center. See <b>Dependent care center</b> .

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EXPENSE	IS EXPENSE A QUALIFYING EXPENSE?	COMMENTS AND SPECIAL RULES
<b>Dependent care center</b>	Potentially qualifying expense	Will qualify if the center meets the requirements of Code §21(b)(2)(C), including compliance with all applicable laws and regulations. Note that, depending on the circumstances, a day camp may be considered a dependent care center. See <b>Day camp</b> .
<b>Deposit</b>	Potentially qualifying expense	Will qualify if it is an expense that must be paid in order to obtain the related care. However, the fee should not be reimbursed until care is provided. A deposit that is forfeited (e.g., because the employee selects a different provider) won't qualify.
<b>Disabled qualifying child under age 13</b>	Potentially qualifying expense	The requirement that at least eight hours per day be spent in the employee's household in order for care provided outside the employee's household to qualify for reimbursement does not apply to a qualifying child under age 13, whether or not the qualifying child is incapable of self-care. Any care provided outside the household, however, must enable the employee and spouse to be gainfully employed, and other restrictions must still be met. See, for example, <b>Boarding school</b> and <b>Overnight camp</b> .
<b>Educational expenses—kindergarten</b>		See <b>Kindergarten</b> .
<b>Educational expenses—preschool/nursery school</b>		See <b>Preschool/nursery school</b> .
<b>Elder care</b>	Potentially qualifying expense	Will qualify only if (1) such expenses are not attributable to medical services; (2) the elderly person is a qualifying individual; and (3) in the case of services provided outside the employee's household, the person still regularly spends at least eight hours each day in the employee's household. *Elder day care will often qualify, but around-the-clock care in a nursing home will not. Note that long-term care insurance cannot be offered under a cafeteria plan. See also <b>Custodial care</b> .
<b>Extended day care</b>		See <b>After-school care</b> and <b>Before-school care</b> .
<b>Entertainment</b>	Potentially qualifying expense	Won't qualify if charged separately from dependent care expense. Small amounts may qualify if incidental to and inseparably a part of the dependent care.
<b>FICA and FUTA taxes of day-care provider</b>	Potentially qualifying expense	Will qualify if the overall expenses of the care provider qualify.
<b>Food</b>	Potentially qualifying expense	Won't qualify if charged separately from dependent care expense. Small amounts may qualify if incidental to and inseparably a part of the dependent care (e.g., lunch included with preschool care).
<b>Gardener</b>	Not a qualifying expense	
<b>Hold-the-spot fee</b>	Potentially qualifying expense	A gray area. These are fees charged by a provider to "hold a spot" for a qualifying individual during a period when care is not needed (e.g., while an older child is home during a parent's maternity leave). Might qualify under the rules for indirect expenses if it must be paid in order to obtain care from the provider when care is needed again (e.g., when the parent returns to work). However, the fee should not be reimbursed unless and until care with the provider is resumed; if the child does not return to the same provider, the fee won't qualify. See also <b>Deposit</b> .
<b>Housecleaning services</b>	Not a qualifying expense	Won't qualify where the housecleaning service does not have any component of child care as part of the duties. But see <b>Household services</b> and <b>Housekeeper</b> .

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<b>Household services— e.g., housekeeper, maid, cook</b>	Potentially qualifying expense	Generally won't qualify, except where attributable in part to care of qualifying individual. See also <b>Bartender, Chauffeur, Gardener, Maid, Cook, Security system</b> . Expenses for such services are likely to be closely scrutinized by the IRS.
<b>Housekeeper</b>	Potentially qualifying expense	Generally, won't qualify. However, amounts paid for the services of a housekeeper whose duties caring for a qualifying individual may be expenses for household services (and thus may qualify). Expenses for such services are likely to be closely scrutinized by the IRS. See <b>Household services</b> .
<b>Incidental expenses— e.g., extra charges for special activities</b>	Potentially qualifying expense	Won't qualify if charged separately from dependent care expense. May qualify if incidental to and inseparably part of the dependent care.
<b>Kindergarten</b>	Not a qualifying expense	Such expenses are primarily educational in nature, whether half- or full-day, private or public school, state-mandated or voluntary. But see <b>After-school care</b> and <b>Before-school care</b> .
<b>Late fees</b>	Potentially qualifying expense	Probably will qualify if for late pickup (i.e., the fee is charged to care for the child because the child was picked up late)—the payment still related directly to care of the child. Probably won't qualify if for late payment (i.e., the fee is charge because the parent paid the child-care bill late)—the payment doesn't relate directly to the care of the child.
<b>Lessons (music, dance, swimming, etc.)</b>	Not a qualifying expense	Such expenses are primarily educational in nature. But see <b>Day camp</b> .
<b>Long-term care expenses</b>		See <b>Custodial care</b> and <b>Elder care</b> .
<b>Looking for work (care that enables the employee or spouse to look for work)</b>	Potentially qualifying expense	Will qualify if the person is actively looking for work. However, a person who does not find a job and has no earned income for the year will not be able to exclude the expenses from income.
<b>Maid</b>	Potentially qualifying expense	Generally won't qualify. However, amounts paid for the services of a maid may be expenses for household services (and thus possibly may qualify) if a part of those services is provided to the qualifying individual. Expenses for such services are likely to be closely scrutinized by the IRS. See also <b>Household services</b> .
<b>Nanny</b>	Potentially qualifying expense	Will qualify to the extent that the amounts paid are attributable to the care of a qualifying individual and to household services attributable in part to care of a qualifying individual. See also <b>Au pair</b> and <b>Registration fees</b> .
<b>Nursery school</b>		See <b>Preschool/nursery school</b> .
<b>Nursing home</b>		See <b>Elder care</b> .
<b>Overnight camp</b>	Not a qualifying expense	Expenses for overnight camps are not employment-related expenses. But see <b>Day camp</b> .
<b>Parent of employee's underage-13 qualifying child, amounts paid to</b>	Not a qualifying expense	See <b>Relative</b> .
<b>Part-time employment (payments to provider for periods when employee works part-time)</b>	Potentially qualifying expense	If the employee is required to pay for care on a periodic (e.g., weekly or monthly) basis that includes both work and nonwork days, payments for periods that include both work and nonwork days will qualify in full. Otherwise, expenses must be allocated between work and nonwork days.

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<b>Placement fees for finding a dependent care provider</b>	Not a qualifying expense	Probably won't qualify—such fees would not seem to be required in order to obtain care.
<b>Prepaid fees for care</b>	Potentially qualifying expense	Won't qualify to the extent that the dependent care services have not been provided. Will qualify after the services to which the fees relate have been provided, if the services otherwise qualify as employment-related expenses. Full or partial payment for dependent care services at the time of registration (e.g., because a summer camp is popular) won't qualify until care is provided. See <b>Deposit</b> . Fees that are forfeited (e.g., because the employee selects a different provider) won't qualify.
<b>Preschool/nursery school</b>	Potentially qualifying expense	
<b>Recreation</b>	Potentially qualifying expense	Won't qualify if charged separately from dependent care expense. Small amounts may qualify if incidental to and inseparably a part of the dependent care.
<b>Registration fee</b>	Potentially qualifying expense	Will qualify if the fee must be paid in order to obtain care. However, the fee should be reimbursed until care is provided. Fees that are forfeited (e.g., because the employee selects a different provider) won't qualify.
<b>Relative, amounts paid to</b>	Potentially qualifying expense	Will qualify unless the relative is (1) under age 19 and is the employee's child, stepchild, or eligible foster child; (2) an individual for whom the employee or spouse can claim an exemption on IRS Form 1040; (3) the employee's spouse; or (4) a parent of the employee's under age 13 qualifying child.
<b>Security system for the home</b>	Not a qualifying expense	The costs of a home security system to care for a child are not the type of household services that Congress had in mind as qualifying for tax-favored treatment.
<b>Self-employment, expenses incurred in connection with</b>	Potentially qualifying expense	Will qualify to the extent that they are incurred for dependent care.
<b>Services provided outside U.S.</b>	Potentially qualifying expense	Will qualify if the services are for care, enable the employee and spouse to be gainfully employed, and otherwise meet the requirements for reimbursement, even if received from a foreign care provider who does not have and is not required to obtain a U.S. TIN.
<b>Sick-child facility</b>	Potentially qualifying expense	Probably will qualify when incurred to enable the employee to go to work when the child is ill—i.e., when the primary purpose is child care.
<b>Sick employee (payments to provider for periods when sick employee stays home)</b>	Potentially qualifying expense	If the absence is considered short and temporary and the caregiving arrangement requires the employee to pay for care during absence, then a payment for a period that includes the absence will qualify for reimbursement in full; other absences generally won't qualify. An absence of up to two consecutive weeks is considered short and temporary; whether a longer absence qualifies will depend on facts and circumstances.
<b>Spouse of employee, amounts paid to</b>	Not a qualifying expense	See <b>Relative</b> .
<b>Summer day camp</b>		See <b>Day camp</b> .
<b>Summer school</b>	Not a qualifying expense	Such expenses are primarily educational in nature. But see <b>After-school care</b> and <b>Before-school care</b> .

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<b>Transportation expenses</b>	Potentially qualifying expense	Will qualify if for transporting a qualifying individual to or from a place where care is provided and the transportation is furnished by a dependent care provider. Otherwise, such expenses generally are not considered to be for care, but might qualify if part of the dependent care charge (i.e., if incidental to and inseparably a part of the dependent care). Note that the IRS closely scrutinizes child-care expenses involving foreign travel. For example, expenses have been disallowed for a grandmother’s travel to the U.S. under suspicious circumstances.
<b>Tuition expenses</b>	Not a qualifying expense	Such expenses are primarily educational in nature. But see <b>After-school care</b> and <b>Before-school care</b> .
<b>Tutoring programs</b>	Not a qualifying expense	Such expenses are primarily educational in nature.
<b>Unemployment (care that enables employee or spouse to look for work)</b>		See <b>Looking for work</b> —expenses incurred to enable employee to look for work.
<b>Vacation (payments to provider for periods when employee is on vacation)</b>	Potentially qualifying expense	If the absence is considered short and temporary and the caregiving arrangement requires the employee to pay for care during the absence, then a payment for a period that includes the absence will qualify for reimbursement in full. Other absences generally won’t qualify.
<b>Volunteer work (care that enables employee or spouse to volunteer)</b>	Not a qualifying expense	Won’t qualify if the volunteer work is unpaid or for nominal pay.