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## Employee Benefits – Question of the Month

April 2019

**Q:** We have a few employees who are planning changes to their daycare arrangements when school lets out next month. They want to know whether they can change the amount they are contributing to the dependent care FSA (DCFSA) at that time. Here are the specific questions I've been asked so far:

1. Can an employee increase his contributions to the DCFSA to cover the cost of full-time summer care? The child is currently only in after-school care.
2. Can an employee reduce (or discontinue) her contributions to the DCFSA because her child's father will be staying home to care for him over the summer?
3. Can an employee increase her contributions to the DCFSA from \$0 to \$700 monthly, effective June 1?
4. What would be the effective date for the changed elections?

**A:** I'm going to answer your last question first. While the regulations don't require any particular effective date for most election changes, many plan documents provide an effective date of the first of the month after 30 days. To be certain of the timing, you will need to consult your cafeteria plan document or contact your administrator if you have one.

As for your other questions, here are my thoughts;

1. Yes, assuming the cost of care is increasing as well. This is allowed under the rules on significant cost changes. (Although it's less clear, this might also be allowed if the employee is changing care providers, with or without a change in cost.)
2. Yes. If a childcare arrangement starts back up again in the fall, the employee should be allowed to restart her elections at that time.
3. This one is trickier, but it could be allowed if:
  - a. If a child (or children) was not in childcare and is starting it; or
  - b. If the child (or children) is switching to a new care provider.

However, if the employee is currently receiving free childcare from a relative who has decided to start charging for it, then the employee would have to wait until the next open enrollment period to change her DCFSA election. The same would be true if a relative providing care increased or decreased her fees.

Finally, keep in mind that employees should not be allowed to elect more than \$5,000 for the remainder of the year, the annual limit set by the IRS. For an employee that first starts contributing to the DCFSA in June that means an election of no more than \$714.28 per month.

Feel free to contact me if you have any additional questions at [juliea@millercares.com](mailto:juliea@millercares.com).

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