

# List of Eligible and Ineligible Expenses with the Section 125 Dependent Care Reimbursement Account

*Provided by Kushner & Company*

Below, you will find a list and reimbursement information regarding many of the common requests we receive at Kushner & Company. Obviously we cannot list every item, but this guide should provide you with some additional knowledge regarding what is and is not eligible for reimbursement under Dependent Care reimbursement Accounts (DCRA). If you are enrolled in an FSA, HSA, or HRA, this list may not be applicable. Please see your plan's Summary Plan Description (SPD) for more details.

Should you have further questions about items or about an item that is not on the list, please feel free to contact us at [FSA@kushnerco.com](mailto:FSA@kushnerco.com) or 800-KUSHNER or 269-342-1700, ext. 213.

EXPENSE	IS THE EXPENSE REIMBURSABLE?	COMMENT AND SPECIAL RULES
<b>After-school care or extended day programs (supervised activities for children after the regular school program)</b>	Yes	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>	Yes	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 fee</b>	Yes	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>Assisted living</b>		See <b>Custodial care</b> and <b>Elder care</b>
<b>Au Pair</b>	Yes	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.
<b>Babysitter (inside or outside participant's household)</b>	Yes	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 <a href="#">IRS Form 1040</a> ; (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>	Yes	Will qualify if used to enable the employee and spouse to be gainfully employed and other applicable conditions are met.
<b>Before-school care or extended day programs (supervised activities for children before the regular school program)</b>	Yes	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>	No	See <b>Overnight camp</b>
<b>Camp</b>		See <b>Day camp</b> and <b>Overnight camp</b>
<b>Chauffeur</b>	No	
<b>Child of employee under age 19, amounts paid to</b>	No	See <b>Relative</b>
<b>Child of employee age 19 or over, amounts paid to</b>	Potentially	Will qualify only if neither the employee nor the spouse can claim an exemption for the child. See also <b>Relative</b> .
<b>Child support payments</b>	No	
<b>Classes/Lessons (music, dance, swimming, etc.)</b>	No	Such expenses are primarily educational in nature.
<b>Clothing</b>	Potentially	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>Custodial care</b>	Yes	Will qualify only if (1) the primary purpose of the care is the individual's well-being and protection; (2) the person receiving the care is a qualifying individual; and (3) the qualifying individual (other than a qualifying child under age 13) regularly spends at least eight hours each day in the employee's household. See also <b>Elder care</b> and <b>Sick-child facility</b> .
<b>Day Camp</b>	Yes	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> .
<b>Deposit</b>	Yes	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</b>	Yes	The requirement that at least eight hours per day

<b>under age 13</b>		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>Elder Care</b>	Yes	Will qualify only if (1) the primary purpose of the care is the individual's well-being and protection; (2) the person receiving the care is a qualifying individual; and (3) the qualifying individual (other than a qualifying child under age 13) 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. See <b>Custodial care</b> .
<b>Extended day care</b>		See <b>After-school care</b> and <b>Before-school care</b> .
<b>FICA and FUTA taxes of day-care provider</b>	Potentially	Will qualify if the overall expenses of the care provider qualify.
<b>Food</b>	Potentially	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>Hold-the-spot fee</b>	Potentially	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, Household services, Housekeeper/Maid</b>	No	Won't qualify where the housecleaning services do not have any component of child care as part of the duties. See also <b>Chauffeur, Security system</b> . Expenses for such services are likely to be closely scrutinized by the IRS.
<b>Kindergarten</b>	No	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>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>	Yes	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>Nanny</b>	Yes	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 <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>	No	Expenses for overnight camps are not employment-related expenses.
<b>Parent of employee's under-age-13 qualifying child, amounts paid to</b>	No	See also <b>Relative</b> .
<b>Part-time employment (payments to provider for period when employee works part-time)</b>	Potentially	If the employee is required to pay for care on a periodic (e.g., weekly or monthly) basis that includes both work and non-work days, payments for periods that include both work and non-work days will qualify in full. Otherwise, expenses must be allocated between work and non-work days.
<b>Placement fees for finding a dependent care provider</b>	No	
<b>Prepaid fees for care</b>	Yes	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. Fees that are forfeited (e.g., because the employee selects a different provider) won't qualify. See <b>Deposit</b> .
<b>Preschool/nursery school</b>	Yes	
<b>Registration fee</b>	Potentially	Will qualify if the fee must be paid in order to obtain 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) won't qualify.
<b>Relative, amounts paid to</b>	Potentially	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 <a href="#">IRS Form 1040</a> ; (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>	No	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>	Yes	Will qualify to the extent that they are incurred for dependent care.
<b>Services provided outside U.S.</b>	Yes	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>	Yes	Will qualify when incurred to enable the employee to go to work when the qualifying individual is ill— i.e., when the primary purpose is dependent care.
<b>Sick employee (payments to provider for periods when sick employee stays home)</b>	Potentially	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. 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>	No	See also <b>Relative</b>
<b>Summer school</b>	No	Such expenses are primarily educational in nature.
<b>Transportation expenses</b>	Potentially	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>	No	Such expenses are primarily educational in nature. See <b>After-school care</b> and <b>Before-school care</b> .
<b>Tutoring programs</b>	No	Such expenses are primarily educational in nature.
<b>Unemployment (care that enables employee or spouse to look for work)</b>		See <b>Looking for –expenses incurred to enable employee to look for work</b> .
<b>Vacation (payments to provider for period when employee is on vacation)</b>	Potentially	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>	No	Won't qualify if the volunteer work is unpaid or for nominal pay.