

# Compliance Alert

## The American Rescue Plan Act (ARPA) – Impact on Child Tax Credits and FSA Dependent Care Assistance Plan (DCAP) Contributions

In addition to providing financial relief for individuals, state and local governments, schools, businesses and for other purposes, ARPA contained a number of provisions that are of special interest to employers and their employees.

This Alert focuses on the Act's relief regarding the childcare tax credit and Dependent Care Assistance Plans (DCAP) contributions. For more details, go to:

<https://workdrive.zohoexternal.com/file/gv7efa84af3f275c94abda82cfc505d738133>

### NOTES:

1. Offering the DCAP relief is optional, at the employer's discretion.
2. Employees are encouraged to discuss the tax credit relief with their tax advisor; taking the credit may be more attractive than increasing the DCAP contribution.
3. Both provisions are applicable to the **2021 calendar** year.
4. For "Fiscal Year" FSAs -- an employee's DCAP contribution might have to be reduced for the first few months of the **2021/2022 Plan Year** to avoid over-contributing. It would hinge on the total contributions that had been deposited from 1/1/21 through 8/31/21, for example, for a DCAP with a 9/1 anniversary date.
5. If the DCAP relief is adopted, the FSA Plan Document/SPD must be amended by the end of the 2021 Plan Year.
6. The **Consolidated Appropriations Act, 2021** allowed funds remaining at the end of the DCAP Plan Year to be rolled over to the succeeding DCAP Plan Year:
  - Calendar Year Plans: remaining 2020 funds rolled over to the 2021 Plan Year; or,
  - Fiscal Year Plans: remaining 2019/2020 funds rolled over to the 2020/2021 Plan YearIf you adopted the rollover relief for your DCAP, those funds **do not count** towards the contribution limits for the Plan Year ending in 2021.

If you have questions on any of these topics, please contact your Benetech representative or submit your questions to [info@benetechadvantage.com](mailto:info@benetechadvantage.com)

**NOTE: These compliance updates are not intended to be exhaustive, nor should any discussion or opinions be construed as legal advice. Speak to your applicable advisor(s) for financial, tax, or legal advice.**