

A TECHNICAL UPDATE FOR FLEXSYSTEM | REFERENCE NUMBER: FX079 | CREATED: 052615

TOPIC: FlexSystem Dependent Definitions

The term “dependent” is generally used to describe someone who bears a specified relationship to the employee and meets certain other tests for whom coverage is desired. The precise definition may vary from one plan to another according to applicable legal requirements and the categories of individuals for whom coverage is provided. This bulletin defines eligible dependents for the FlexSystem Medical or Medical-Related Premium and Reimbursement Benefits and Dependent Care Benefits.

Medical Out-of-Pocket Reimbursement Benefits and Medical Premiums

Eligible dependents meet one of the following qualifications:

1. Dependents claimed on the employee’s federal tax return (a ‘qualified child’ or ‘qualified relative’ as defined by the IRS in Section 152).
2. Individuals that would have qualified as a dependent on your federal tax return except for the following:
 - a. He or she received gross income of \$3,950 (2014 limit) or more,
 - b. He or she filed a joint tax return, or
 - c. You, (or your spouse if filing jointly), could be claimed as a dependent on someone else’s tax return.
3. An employee’s child that is age 26 (or younger) and will not attain age 27 at the end of the employee’s taxable year (calendar year); the child is not required to be your tax dependent. The following rules apply:
 - a. Child is defined as the employee’s son, daughter, stepson, stepdaughter, legally adopted child or eligible foster child.
 - b. The age limit, residency, support and other tests described in Code 152(c) do not apply with respect to a child for purposes of Code 105(b) and do not require the child to be a tax dependent.
 - c. The age 26 rule does not apply to Health Savings Account (HSA) plans.
4. The employer’s plan document may have a different dependent definition. The plan document must include this dependent definition for a non-tax dependent child to be considered eligible.

POINTS TO REMEMBER

- An eligible dependent is generally a tax dependent.
- Your child age 26 or younger at the end of the calendar year may qualify as a dependent for your medical benefits even if you do not claim the child on your taxes.
- The age 26 rule does not apply to HSAs.

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Dependent Care Benefit

Your child and dependent care expenses must be for the care of one or more qualifying persons. A qualifying person is:

1. Your qualifying child who is your dependent and is under the age of 13 (also see the definition of children of parents divorced, separated or living apart below),
2. Your spouse who is not physically or mentally able to care for himself or herself and lived with you for more than half the year, or
3. A person who is not physically or mentally able to care for himself or herself, lived with you for more than half the year, and either:
 - a. Was your dependent, or
 - b. Would have been your dependent except that:
 - i. He or she received gross income of \$3,950 (2014 limit) or more,
 - ii. He or she filed a joint return, or
 - iii. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's tax return.

Dependent defined

A dependent is a person, other than you or your spouse, for whom you can claim an exemption. To be your dependent, a person must be your qualifying child (or qualifying relative).

Physically or mentally not able to care for oneself

Persons who cannot dress, clean, or feed themselves because of physical or mental problems are considered not able to care for themselves. Also, persons who must have constant attention to prevent them from injuring themselves or others are considered not able to care for themselves.

Qualifying Person Status

A person's qualifying status is determined each day. For example, if the person no longer qualifies on September 16, only could expenses incurred through September 15.

Birth or Death of Qualifying Person

A person who was born or died in a given year is treated as having lived with you for more than half of the year if your home was the person's home more than half the time he or she was alive for that year

Children of Parents Divorced, Separated or Living Apart

Even if you cannot claim your child as a dependent, he or she is treated as your qualifying person if:

1. The child was under age 13 or was not physically or mentally able to care for himself or herself.
2. The child received over half of his or her support during the calendar year from one or both parents who are divorced or legally separated under a decree of divorce or separate maintenance, are separated under a written separation agreement, or lived apart at all times during the last 6 months of the calendar year,
3. The child was in the custody of one or both parents for more than half the year, and
4. You were the child's custodial parent.

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Custodial Parent

The custodial parent is the parent with whom the child lived with for the greater number of nights for the year. If the child was with each parent for an equal number of nights, the custodial parent is the parent with the higher adjusted gross income.

The noncustodial parent cannot treat the child as a qualifying person even if that parent is entitled to claim the child as a dependent under the special rules for a child of divorced or separated parents.

If a parent works at night and due to the parent's nighttime work schedule the child lives for a greater number of days but not nights with the parent that works at night, that parent is treated as the custodial parent. On a school day, the child is treated as living at the primary residence registered with the school.

Additional Guidance

For additional guidance on your eligibility to claim Dependent Care Expenses, refer to IRS Publication 503, Child and Dependent Care Expenses. The publication may be accessed at <http://www.irs.gov/pub/irs-pdf/p503.pdf>.

Definitions

Spouse

Includes all legally married same-sex or opposite-sex spouses, regardless of state of residence. For the marriage to be recognized for federal tax purposes, it must be entered into under the laws of a state or other domestic or foreign jurisdiction having the legal authority to sanction marriages.

Individuals in registered domestic partnerships, civil unions or similar relationships are not considered spouses for federal tax purposes.

Domestic Partners

A Domestic Partner is an unmarried same-sex or opposite-sex partner (including individuals in marriage-equivalent civil unions or domestic partnerships). A domestic partner may be eligible only if they meet one of the following requirements:

1. The partner is a "qualifying relative" and does not violate local law; some local laws prohibit cohabitation by unmarried partners.
2. The relationship with the partner is recognized as a common-law marriage under applicable state law.

Qualifying Child and Qualifying Relative Overview (defined in Section 152)

A Section 152 dependent is your qualifying child or qualifying relative and is a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico.

1. Qualifying Child
 - a. Is your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any such relatives;
 - b. Has not attained the age of 19 and is younger than you (or your spouse if filing jointly) at the close of the calendar year, is a full-time student who has not attained the age of 24 and is

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younger than you (or your spouse if filing jointly) at the close of the calendar year, or is permanently and totally disabled;

- c. Has the same principal place of abode as you for more than one half of the calendar year;
- d. Has not provided more than half of his or her own support for the year
- e. Is not filing a joint return for the year.

2. Qualifying Relative

- a. Is not the taxpayer's qualifying child or a qualifying child of any other taxpayer for the taxable year (beginning in the calendar year in which such taxable year begins);
- b. Is the taxpayer's child, stepchild, foster child, or a descendant of any of them. The taxpayer's brother, sister, half brother, half sister, stepbrother, stepsister, father, mother, ancestor of a mother or father, stepfather, stepmother, niece, nephew, aunt, uncle, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law; or is an individual with the same principal place of abode as the taxpayer (not including the spouse) and the relationship does not violate local law;
- c. Has gross income for the year less than \$3950 (for 2014);
- d. Has over one-half of his/her support provided by the taxpayer for the year.

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