DEPENDENT DAYCARE FLEXIBLE SPENDING ACCOUNT

A Dependent Daycare Flexible Spending Account (DCFSA) allows employees to pay for eligible daycare expenses on a pre-tax basis. At the beginning of the Plan Year, employees elect the amount they wish to have withheld from their paycheck on a pre-tax basis. When they incur allowable expenses during the Plan Year, they can either use their provided debit card or submit a claim for reimbursement. The amount available on the debit card and for reimbursement is limited to the funds actually withheld from their paycheck. For 2027, the maximum amount an employee may elect is **$7,500 per calendar year per household** if married filing jointly or single (and **$3,750** if married filing separately), as provided under IRC §129.

General Plan Guidelines:
To qualify for reimbursement, the expense must be for the care of an individual who qualifies as the employee's dependent for purposes of the Dependent Daycare Flexible Spending Account (DCFSA). An eligible individual must be one of the following:

- **A child under age 13** whom the employee may claim as a dependent on their federal income tax return (including a child under age 13 whom the employee supports but cannot claim as a dependent solely due to a written declaration or divorce decree); or
- **A spouse or other tax dependent** (or a supported child who cannot be claimed as a dependent solely due to a written declaration or divorce decree) who is **physically or mentally incapable of self-care**.

Eligible expenses must be incurred to allow the employee (and spouse, if applicable) to be gainfully employed and must be for the care of an eligible individual or for related household services. For care provided outside the employee's household, the expenses qualify only if the dependent regularly spends at least 8 hours per day in the employee's home (IRS Code §21(b)(2)(B); Treas. Reg. §1.21-1(e)(1)). For care provided inside the employee's household, the care must be for an eligible individual, and no 8-hour rule applies.

Some common eligible expenses include:

- Daycare centers, nursery schools and preschool (care portion only)
- Before- and after- school care
- Summer day camps
- Babysitters, nannies, or au pair care while the employee works
- In-home care for a dependent who is physically or mentally incapable of care

Expenses for Dependent Care Centers may be eligible if the services are provided by a dependent care center (a facility caring for more than six individuals who do not live there). The center must comply with all applicable state and local licensing laws and regulations.

Expenses cannot be reimbursed if a person providing babysitting or dependent care is the employee's child who is under age 19 at the end of the calendar year—even if that child is not the employee's dependent. Care also cannot be paid to anyone the employee or spouse claims as a dependent on their tax return.