Dependent Care Flexible Spending Account

Pay for child and adult day care with pre-tax dollars | 2027 Plan Year

Dependent Care FSA Basics

A Dependent Care Flexible Spending Account (Dependent Care FSA) lets you set aside part of your pay, before taxes, to pay for the care of your children or other dependents while you, and your spouse if you are married, work or look for work.

The money you set aside is not subject to federal income tax or Social Security and Medicare taxes, so you keep more of what you earn.

2027 contribution limit: $7,500 per household
$3,750 if you are married and file separate tax returns. Your employer's plan may set a lower limit.

Your contributions also cannot be more than your earned income or, if you are married, your spouse's earned income, whichever is less. Special rules apply if your spouse is a full-time student or unable to care for himself or herself.

Whose Care Is Eligible?

Care is eligible for:

- **Your child under age 13** whom you claim as a dependent. Expenses are eligible until the child's 13th birthday.
- **Your spouse or another dependent** of any age who is physically or mentally unable to care for himself or herself and lives with you for more than half the year.

Care for a spouse or adult dependent outside your home is eligible only if that person regularly spends at least 8 hours a day in your household.

What Expenses Are Eligible?

Care is eligible if it is needed so that you (and your spouse) can work or look for work. Examples include:

- Child day care centers and family day care
- Babysitters and nannies, in or outside your home
- Preschool and nursery school (not kindergarten)
- Before- and after-school care (not tuition)
- Summer day camp
- Adult day care centers

Payments to your spouse, the child's parent, your child under age 19, or anyone you claim as a dependent are not eligible.

A day care center that cares for more than six people must comply with all state and local licensing laws.

How Does It Work?

1. Choose your amount. When you enroll, choose how much to contribute for the plan year. Estimate conservatively, based on care you expect to pay for.

2. Contribute through payroll. Your contribution is deducted in equal amounts from each paycheck, before taxes.

3. Get reimbursed. After you receive care, submit a claim with the required documentation. You will be reimbursed tax-free.

Good to know: Unlike a Health Care FSA, you can be reimbursed only up to the amount you have contributed so far. If your claim is larger than your balance, the rest is paid as more contributions come in.

Use It or Lose It

Under IRS rules, money left in your account at the end of the plan year is forfeited. Some plans allow a grace period of up to 2½ months into the next plan year to incur expenses. Dependent care accounts cannot offer a carryover.

Your plan also sets a deadline after the end of the plan year, often about three months, for submitting claims. Check your plan for its grace period and claim deadline.

Important: Provider Information

To be reimbursed, you must give your care provider's name, address and taxpayer identification number (or Social Security number) on your claim. Ask your provider for this information before you enroll.

Need Help?

Contact your employer's benefits administrator or Benefit Allocation Systems at 800-945-5513 or service@BASusa.com.

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May I Change My Election?

Because of the account's special tax advantages, IRS rules limit mid-year changes. Once the plan year begins, you cannot stop or change your election until the next plan year unless you have a change in status recognized by your plan, such as:

- A change in legal marital status
- A change in the number of your dependents
- A change in employment status of you, your spouse or a dependent that affects eligibility
- An increase or decrease in hours of employment that affects eligibility
- A dependent becoming eligible or ineligible

Many plans also allow changes if your care provider or the cost of care changes. Check your plan.

What Expenses Are Not Eligible?

The IRS decides which expenses are eligible. These are not:

- Care while you are not working, such as evening or weekend babysitting for social events
- Overnight camp
- Tuition for kindergarten and higher grades
- Educational programs and enrichment classes
- 24-hour nursing home care
- Care so that your spouse can do volunteer work

Submitting Claims

Submit a separate, signed and dated claim form for each dependent. Each claim must include:

- the dependent's name;
- the provider's name, address and taxpayer identification number;
- the dates and a description of the care; and
- the amount charged, with the provider's signature or a receipt.

Cancelled checks alone are not enough.

Dependent Care FSA or Tax Credit?

You may also be able to claim the federal child and dependent care tax credit on your tax return. You cannot use the same expenses for both the Dependent Care FSA and the credit, and amounts reimbursed from your account reduce the expenses you can use for the credit.

Beginning in 2026, the tax credit became more generous for many families, so it is worth comparing both options. Your tax advisor can help you decide which saves you more.

See How Much You Can Save

Example: an employee earning $40,000 a year who contributes $4,000 to a Dependent Care FSA.

	Without Dependent Care FSA	With Dependent Care FSA
Annual gross pay	$40,000.00	$40,000.00
Pre-tax dependent care contribution	$0.00	–$4,000.00
Taxable gross pay	$40,000.00	$36,000.00
Federal income tax (12%)*	–$4,800.00	–$4,320.00
FICA tax (7.65%)*	–$3,060.00	–$2,754.00
After-tax dependent care expenses	–$4,000.00	$0.00
Net take-home pay	**$28,140.00**	**$28,926.00**

Total annual savings: $786.00

*Your tax rates may differ. Consult your tax advisor.

Rules to Remember

- Your election is set for the plan year unless you have a change in status.
- Submit claims by the deadline set by your plan.
- Money you do not use for care received during the plan year (and any grace period) is forfeited.
- Keep your provider's taxpayer identification number on file.

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