

Dependent Care Account

Set aside tax-free money for daycare and dependent care services

Most employers have employees who rely on services like daycare and elderly care that enable them to work full time. A dependent care account (DCA) can lower the financial burden of these types of services for employees while providing tax advantages to the employer.

How it Works

Employees who enroll in a DCA experience tax savings on expenses like daycare, elderly care, summer day camp, preschool, and other services that allow the employee to work full time. Employers also save on FICA and Social Security taxes for every employee who participates in a DCA.

Employee Savings Example

Annual Gross Pay: \$40,000

Yearly DCA Contribution: \$5,000

Tax Deductions (25%): \$8,750

Take-Home Pay without DCA: \$30,000

Take-Home Pay with DCA: \$31,250 (\$1,250 increase in take-home pay)

Benefits for Employers

- No payroll taxes due on the amounts employees contribute to the DCA
- Helping employees save money on essential services like daycare make a company a more attractive place to work

Benefits for Employees

- For every dollar an employee contributes to a DCA, that's one less dollar they're being taxed on from their income.
- Daycare and other dependent care services can come at a steep cost to the employee. A DCA provides financial relief and makes it easier to foot the bill for these essential services.
- User-friendly online account and mobile app makes it easy for employees to manage their benefits

Eligible Expenses

- Daycare
- Before-school and after-school care
- In-home babysitting
- Elderly care
- Nursery school
- Preschool
- Summer day camp

2020 DCA Contribution Limits

- Single and filing separately: \$2,500
- Family: \$5,000