



Dependent Care Assistance Programs

If you're balancing work and caregiving responsibilities, a dependent care assistance program (DCAP) can help ease the financial burden. Many employers offer a DCAP—also known as a dependent care flexible spending account—that lets you set aside pre-tax dollars to pay for eligible dependent care expenses.

This article highlights dependent care benefits and how to make the most of them.

What Is a DCAP?

A DCAP is a benefit your employer may offer to help you cover the cost of care for your dependents while you work. You contribute to the account through payroll deductions, and the money can be used to reimburse you for qualifying expenses like day care, babysitting or after-school programs.

DCAPs can be offered on their own or as part of a broader cafeteria plan. Either way, they follow specific IRS rules to ensure the funds are used appropriately.

What Expenses Can You Be Reimbursed For?

To qualify for reimbursement, the expense must be related to care that allows you (and your spouse, if applicable) to work or look for work. You can only be reimbursed after the care has been provided.

Eligible expenses include:

- Preschool, nursery school or similar programs (below kindergarten level)
- Before- and after-school care for children
- Day camps, including specialty camps (e.g., sports or computer camps)
- Transportation to and from the place of care provided by the care provider
- Employment taxes paid to a caregiver
- Room and board for a caregiver (in some cases)
- Application or agency fees related to finding care

Ineligible expenses include:

- Kindergarten tuition or higher education
- Overnight camps
- Payments to your spouse or the child's parent (if not your spouse)

Who Qualifies as a Dependent?

You can use DCAP funds for:

- A dependent child under age 13
- A spouse or dependent who lives with you and is physically or mentally unable to care for themselves

Eligibility for a qualifying individual must be calculated on a daily basis. For example, upon a dependent's 13th birthday, you may no longer seek reimbursement for dependent care expenses incurred after the dependent's birthday. Employees should consider the daily calculation requirement when making their annual elections.

How Much Can You Contribute?

Internal Revenue Code Section 129 sets limits on how much money can be contributed to a DCAP, as follows:

- **Up to \$5,000 per year** if you're single or married and filing jointly
- **Up to \$2,500 per year** if you're married and filing separately

These contributions are tax-free, which can lead to significant savings. Keep in mind that you can't claim the same expenses for both a DCAP and the dependent care tax credit on your tax return.

Maximize Your Benefits

Whether you're a new parent, caring for a loved one with special needs or simply looking for ways to manage your household budget more effectively, a DCAP can provide meaningful support. It's a valuable tool that can help you save money while managing the costs of care. Furthermore, using pre-tax dollars reduces your taxable income and helps stretch your paycheck.

Contact your HR representative to learn more about available dependent care benefits.

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