Please add a Dependent Care FSA

A short brief for HR & benefits teams

An employee has asked about a Dependent Care FSA (DCFSA) — here's the case, and how to turn it on.

TL;DR

- Lets employees set aside up to $7,500/year (2026) of pre-tax pay for childcare — daycare, day camp, after-school care, or a nanny.
- Costs the employer little to nothing, and usually saves money: the company skips its 7.65% FICA match on every dollar employees contribute.
- No company contribution required — the money is the employee's own pre-tax salary.
- Every major payroll provider already administers it as a standard module. For most employers it's a configuration, not a project.

THE MATH — WHO SAVES WHAT

One parent contributing the $7,500 maximum. The two savings are separate — and both are real.

EACH EMPLOYEE (PER PARENT)

$2,224 /yr

more take-home from $7,500 pre-tax

Federal income tax (22%)	**$1,650**
Their FICA share (7.65%)	**$574**

Higher brackets & income-tax states save more.

THE EMPLOYER (PER PARENT)

$574 /yr

FICA match avoided (7.65% x $7,500)

SCALES WITH YOUR TEAM

5 staff	**$2,869**
10 staff	**$5,738**
25 staff	**$14,344**

Net effect: employees take home more, and the company's payroll-tax bill goes down. The only real costs — a Section 125 plan document, a small per-participant admin fee, and annual nondiscrimination testing (plus W-2 Box 10 reporting) — are bundled by every major payroll provider.

SUPPORTED BY EVERY MAJOR PAYROLL & BENEFITS PROVIDER

A standard Section 125 offering. If you use any of these, just ask your account rep to enable it:

ADP · Gusto · Paychex · Rippling · Justworks · TriNet · Paycom · Workday · WEX · HealthEquity / Optum

WHAT TO DO TO ADD IT

1. **Confirm the offering**
   Ask your payroll/benefits provider (or broker) to enable a Dependent Care FSA under a Section 125 cafeteria plan. Almost all support it out of the box.
2. **Adopt the plan document**
   Sign the Section 125 plan document your provider supplies. This formally establishes the benefit — no custom legal work needed for the standard version.
3. **Set the terms**
   Set the 2026 annual limit ($7,500 per household, or $3,750 if married filing separately) and an enrollment window. Decide whether the company contributes (optional; most don't).
4. **Announce & enroll**
   Tell employees and open enrollment. Parents elect an annual amount; it's then deducted pre-tax from each paycheck. Mid-year sign-ups are allowed after a qualifying life event (new child, new care arrangement).
5. **Let the provider run it**
   Your provider handles the pre-tax deductions, reimbursements or debit card, W-2 Box 10 reporting, and annual nondiscrimination testing. Ongoing effort for HR is minimal.
