Qualified expenses – Child Day Care Assistance

Child Day Care assistance expenses that DO qualify for reimbursement

Child daycare expenses that qualify must allow you and your spouse, if you are married, to work, look for work or attend school:

- Nanny, babysitter, housekeeper and nurse’s fees thru age 12, for services provided inside your home, are eligible to the extent they are attributable to child care expenses and expenses of incidental household services.
- Dependent care expenses incurred for services outside your home, providing they are incurred for the care of a qualifying dependent that regularly spends at least 8 hours per day in your home.
- Registration fees to a daycare facility are eligible as long as the fees are allocable to actual care and not described as materials or other fees.
- Pre-school, Pre-K or nursery school expenses are eligible, even if the school also furnishes lunch and educational services. The cost of transportation furnished by a dependent care provider to or from a place where care is provided, a day camp, or an after-school program not on school premises.

Child Day Care assistance expenses that DO NOT qualify:

- Kindergarten fees are almost always an education expense and should never be reimbursed under a dependent care plan.
- Elementary school expenses for a child in first grade or higher.
- Overnight Camp.
- Food, and incidental expenses (diapers, activities, etc.) are not eligible if charged separately from dependent care expenses.
- Expenses paid to a housekeeper, maid, cook, etc. are not eligible, except where incidental to child care.
- Mass transit and parking.

How does this plan compare to the credit on my Form 1040?

Whether or not to participate in the Dependent Care Benefit (DCB) or to take the tax credit when you file your taxes depends on your income, filing status, number of dependents, and annual daycare expenses. Use our easy calculator to determine your savings.

Maximum payments allowed by the IRS

Limitations: Child dependent care expenses may not exceed the smaller of the following limits:

- The maximum allowed under the plan.
- $5,000 (if you are married and filing a joint tax return or are filing as single, head of household) and $2,500 if you are married and separate returns are filed.
- Your taxable compensation (after all compensation reduction elections). If you are married, your spouse’s actual or deemed earned income.
- Eligible expenses include daycare costs for dependent children under the age of 13, or a child who is physically or mentally incapable of self care.
- The child must spend at least 8 hours a day in your household.

Limitation on qualified expense

Your plan may restrict the reimbursement of one or more of these items. Check with your plan administrator. The total amount of all qualified expenses paid may not exceed the maximum allowed under the plan. Please review your Summary Plan Description or see your plan administrator for more information.