

DEPENDENT CARE FSA LIMIT INCREASED TO \$7,500 FOR 2026

Advisory

9.23.25

The One Big Beautiful Bill Act, signed into law on July 4, 2025, increases the maximum annual contribution for dependent care flexible spending accounts (FSAs) to \$7,500 (or \$3,750 for married couples filing separately) for tax years beginning on or after January 1, 2026.

The current dependent care FSA limit of \$5,000 (or \$2,500 for married couples filing separately) has been in place since 1986 (excluding certain temporary adjustments), so this increase has been a long time coming.

An employer who offers a dependent care FSA program is not required to increase the limit under their program to align with the new federal limit. However, in light of this change, employers should consider taking the following actions:

- Review the dependent care FSA plan documents with legal counsel to determine if an amendment is required to increase their dependent care FSA limit, if you plan to do so. If an employer does not plan to increase the limit, a review of the dependent care FSA plan document may still be appropriate to ensure that it does not contain any language that would automatically increase the limit to align with the new federal limit.
- If an employer plans to implement the increased limit, consider how the increased limit may affect their dependent care FSA compliance testing (required by the Internal Revenue Code), such as the 55% average benefits test.
- Work with the dependent care FSA plan administrator to prepare to communicate the increased limit, if applicable, during their open enrollment process for 2026.