



**DCAP** | Dependent Care Assistance Plan

VS

**DCTC** | Dependent Care Tax Credit

|                        | DCAP    | DCTC    |
|------------------------|---------|---------|
| One Dependent          | \$5,000 | \$3,000 |
| Two or More Dependents | \$5,000 | \$6,000 |

*Maximum Allowed Deductions 2022*

**Example:** *(note: example is for illustrative purposes only, actual savings may vary)*

Sue and John, a married couple, have elected to participate in John's DCAP through his employer. They file taxes jointly, claim one child, and earn an annual combined income of \$48,000 (\$24,000 each). They incur \$5,000 in dependent care expenses and elect the maximum DCAP deduction (\$5,000).

By participating in the DCAP, John and Sue were able to reduce their taxable income to \$43,000, which decreased their federal tax liability and increased their take home pay by \$1,133.

**Wait, there's more!** If they elected not to participate in the DCAP, their taxable income would be \$48,000, resulting in higher tax liabilities and decreased take home pay. By participating in the DCAP, Sue and John obtained a greater tax savings as the DCTC maximum deduction is \$3,000. In this example, the tax benefit is greater by \$2,000.

*Please consult a tax advisor to determine which option may be best for you.*