

The State of Delaware

FY27 Planning - FSA Dependent Care Contributions

State Employee Benefits Committee Meeting

January 26, 2026

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FSA Dependent Care Maximum Increase - Background and Review

- Background

- As of January 1, 2026, the DCFSA maximum has increased to \$7,500 – employers can choose to offer that amount or set a limit lower than this amount
- This provides an opportunity for employees to save additional money, on a pre-tax basis, to be used for childcare expenses

- Considerations

- The DCFSA limit is not indexed for inflation, so may not increase on an annual basis (will need Congressional action to change the limit)
- The increase in limit, while beneficial to some employees, may result in the plan becoming “discriminatory”
 - It is typically highly compensated employees (HCEs) who contribute the most to these accounts
 - Additional participation by HCEs, either in participation, in amount contributed, or both could cause the plan to become discriminatory
- Plans may want to conduct projection testing to determine if they want to increase their maximums.
 - The State of Delaware conducted projection testing in 2025 for the 2026 plan year; when tested at the \$7,500 level, corrections would need to be made to the contributions of HCEs in order to pass

FSA Dependent Care Maximum Increase Recommendations

- Determine whether to adopt the \$7,500 maximum. Conduct nondiscrimination testing and, if a failure occurs, reduce the contributions of HCE's by the amount needed to maintain plan compliance.

Next Steps

- SEBC to vote on whether to increase the DCFSA maximum at the February 23rd SEBC meeting