

Core Documents Announces Key Update: One Big Beautiful Bill Act Boosts Dependent Care FSA Limits for 2026

This permanently raises the annual contribution limit for Dependent Care FSAs from \$5,000 to \$7,500 per household or \$3,750 married couples filing separately.

BRADENTON, FL, UNITED STATES, August 5, 2025 /EINPresswire.com/ -- [Core Documents](#), a leader in providing IRS-compliant employee benefits plan documents since 1997, is excited to share a significant update following the enactment of the [One Big Beautiful Bill Act \(OBBBA\)](#), signed into law by

President Trump on July 4, 2025. This landmark legislation introduces transformative changes to employer-sponsored benefits, including a substantial increase in the IRS Section 129 Dependent Care Assistance Plan Flexible Spending Account (FSA) contribution limits, effective for plan years beginning January 1, 2026.

“

We are thrilled to see the OBBBA address the long-overdue need to increase Dependent Care FSA limits,”

Gene C. Ennis - Core Documents

Increased [Dependent Care FSA](#) Limits: A Game-Changer for Employers and Employees

The OBBBA permanently raises the annual contribution limit for Dependent Care FSAs from \$5,000 to \$7,500 per household (or \$3,750 for married couples filing separately). This is the first adjustment to the limit since its

establishment in 1986, marking a significant step forward in supporting working families with dependent care expenses.

Benefits for Employers:

- Enhanced Employee Retention and Satisfaction: By offering a higher Dependent Care FSA limit,



Core Documents' Dependent Care Assistance Plan FSA Plan Document Package

employers can provide a more robust benefits package, making their workplace more attractive to current and prospective employees. This can improve retention and boost morale among working parents and caregivers.

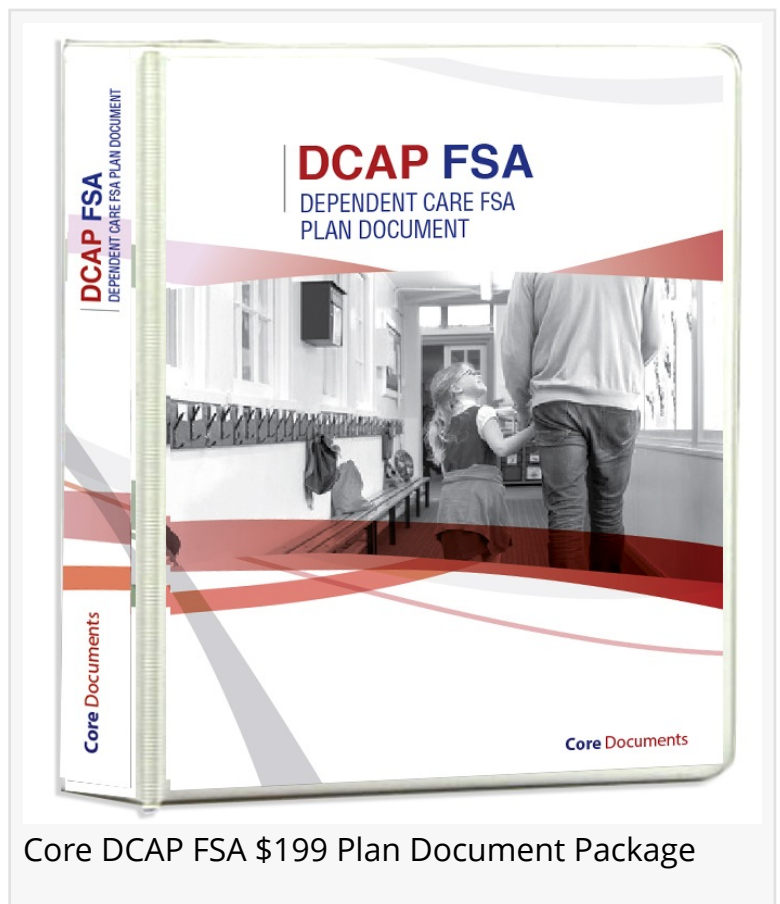
- **Tax Savings:** Employers can reduce their payroll tax liability by allowing employees to contribute pre-tax dollars to a Dependent Care FSA. For every \$7,500 contributed by an employee, employers save approximately \$573.75 in FICA taxes (7.65% of the contribution), assuming the employee maximizes the new limit.
- **Compliance Support:** Core Documents is proactively updating all Section 125 plan documents to reflect the new \$7,500 limit, ensuring employers remain compliant with IRS regulations. Employers are encouraged to communicate this change to employees during open enrollment to maximize participation.

Benefits for Employees:

- **Increased Financial Flexibility:** Employees can now set aside up to \$7,500 annually (or \$3,750 for married couples filing separately) on a pre-tax basis to cover eligible dependent care expenses, such as daycare, preschool, or eldercare. This increase allows families to better manage rising childcare costs.
- **Significant Tax Savings:** By contributing the maximum \$7,500 to a Dependent Care FSA, employees in the 22% federal tax bracket can save approximately \$1,650 in federal income taxes, plus additional savings on FICA taxes (7.65%), totaling around \$573.75 per employee. Combined, this could result in tax savings of over \$2,200 annually for employees maximizing the new limit.
- **Support for Work-Life Balance:** The increased limit provides greater financial support for working parents and caregivers, enabling them to balance professional and family responsibilities more effectively.

Core Documents' Commitment to Compliance and Support

Core Documents, based in Bradenton, FL, has been a trusted partner for over 75,000 employers nationwide, designing and implementing tax-advantaged plans such as Section 125 Premium Only Plans, Health FSAs, Dependent Care Assistance Plan FSAs, Wrap SPDs, ICHRA, QSEHRA, EBHRA, GCHRA, and EAP Plans. Our team is ready to assist employers in updating their plan documents to incorporate the new \$7,500 Dependent Care FSA limit and ensuring compliance with IRS nondiscrimination testing requirements.



Core DCAP FSA \$199 Plan Document Package

"We are thrilled to see the OBBBA address the long-overdue need to increase Dependent Care FSA limits," said [Your Name], [Your Title] at Core Documents. "This change empowers employers to offer more meaningful benefits and provides employees with significant tax savings, helping families better manage the costs of dependent care."

Next Steps for Employers

Core Documents urges employers to take the following actions:

1. Update Plan Documents: Work with Core Documents to amend your Section 125 plan to reflect the new \$7,500 limit, ensuring compliance with IRS regulations.
2. Communicate with Employees: Inform employees about the increased limit during open enrollment for the 2026 plan year to encourage participation and maximize tax savings.
3. Review Nondiscrimination Testing: Higher contribution limits may impact nondiscrimination testing. Core Documents can provide guidance to ensure your plan remains compliant.
4. Business owners cannot participate in a Section 125 Cafeteria Plan with the Dependent Care FSA; however an owner can set up a stand-alone Section 129 Dependent Care Assistance Plan specifically for the owner(s) that's not part of a Cafeteria Plan.

For more information or to speak with a Flexible Compensation Specialist, contact Core Documents at (888) 755-3373 or visit www.coredocuments.com.

About Core Documents

Located at 501 Village Green Parkway, Suite #11, Bradenton, FL 34209, Core Documents has been the nation's leading provider of IRS-compliant employee benefits plan documents for over 27 years. Specializing in Section 125 Premium Only Plans, Health FSAs, Dependent Care Assistance Plan FSAs, Wrap SPDs, ICHRA, QSEHRA, EBHRA, GCHRA, and EAP Plans, Core Documents delivers cost-effective solutions to help employers and employees maximize tax savings and compliance.

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