

DCAP vs. the Dependent Care Tax Credit

Comparison for married couple filing joint return with two qualifying individuals and \$5,000 of dependent care expenses, and taking the standard deduction. Only income is wages and no other credits are claimed besides DCTC, EIC and CTC and ACTC. Only federal tax savings considered (not state taxes or credits).

Gross wages before DCAP salary reductions	Participating in DCAP on salary reduction basis is better (or worse) than claiming the DCTC by this amount (if negative, the DCTC is better)	Gross wages before DCAP salary reductions	Participating in DCAP on salary reduction basis is better (or worse) than claiming the DCTC by this amount (if negative, the DCTC is better)
\$10,000	(\$1,617)	\$40,000	(\$3)
\$13,000	(\$547)	\$41,000	\$82
\$14,000	(\$497)	\$50,000	\$132
\$15,000	(\$91)	\$60,000	\$132
\$16,000	\$200	\$70,000	\$132
\$25,000	\$935	\$92,000	\$322
\$30,000	\$935	\$110,000	\$322
\$35,000	\$507	\$120,000	\$572
\$36,000	\$361	\$130,000	\$572
\$37,000	\$200	\$150,000	\$722
\$38,000	\$90	\$160,000	\$472
\$39,000	(\$70)	\$180,000	\$472