

**NOTIFICATION FOR CIVILIAN SPONSORS UTILIZING DEPARTMENT OF  
DEFENSE SUBSIDIZED CHILD DEVELOPMENT PROGRAMS  
DURING TAX YEAR 2024**

DoD is required to notify you annually of the tax value of the child care subsidy for your installation-based child development program. This letter serves as your notification.

The Internal Revenue Code (IRC) requires that child care subsidies generally be treated as income. While no direct subsidy payment is made to any sponsor, the DoD installation-based child development programs are subsidized for military and DoD-civilian sponsors through appropriated funds. These subsidies enable the programs to provide quality care to your children at a rate less than would normally be charged. These subsidies reduce the cost to you of this nationally accredited child care.

While portions of child care subsidies may be taxable, there are tax exclusions on the value of subsidies up to \$2,500 (for married individuals filing separately), or \$5,000 (for married couples filing jointly or single heads of household) if the subsidies are made available through an employer Dependent Care Assistance Plan, which is the case for children enrolled in DoD installation child care programs.

The IRC also stipulates that the child must be claimed as a dependent on the Federal income tax return of their parent or guardian in order to qualify for the \$2,500 or \$5,000 exclusion. This stipulation applies to civilian employee sponsors with children enrolled in DoD subsidized child care programs. Additional guidance may be found in the Internal Revenue Service Publication 503, "Child and Dependent Care Expenses."

Each year the DoD must determine the value of the child care subsidy. This calculation is performed by deducting the amount of your child care fees from the tax value of the child care space to determine a "net value" of the child care space. **This net value is the amount that is considered potentially taxable income associated with the DoD child care subsidy.** Only child care subsidies that exceed the \$5,000 exclusion (\$2,500 for married individuals filing separately) are taxable and reportable. Sponsors are responsible for considering any Dependent Care Flexible Spending Accounts (DCFSA) to determine if the net value, plus the DCFSA value, exceeds the \$5,000 or \$2,500 amount, which is considered potentially taxable. If you have questions regarding your potential tax liabilities, you should consult your tax advisor.

## Tax Year 2024 Information

**The cash value of the subsidy for 2024 tax purposes is \$7,852**

The 2024 **net value** of the subsidy for each income category is listed below:  
*Only child care subsidies that exceed the \$5,000 exclusion (\$2,500 for married individuals filing separately) are taxable and reportable.*

- Families in Category I have a child care subsidy net value of **\$5,044/year** for a full-time, full-day space.
- Families in Category II have a child care subsidy net value of **\$4,680/year** for a full-time, full-day space.
- Families in Category III have a child care subsidy net value of **\$4,004/year** for a full-time, full-day space.
- Families in Category IV have a child care subsidy net value of **\$3,276/year** for a full-time, full-day space.
- Families in Category V have a child care subsidy net value of **\$2,444/year** for a full-time, full-day space.
- Families in Category VI have a child care subsidy net value of **\$1,560/year** for a full-time, full-day space.
- Families in Category VII have a child care subsidy net value of **\$676/year** for a full-time, full-day space.
- Families in Categories VIII - XI have **NO** child care subsidy net value (**\$0/year**) for a full-time, full-day space based on the yearly total of fees paid for child care.