



Public-Private Partnership

Re-implement and enhance state-level employer child care tax credit.

WHY

Access to child care has become a barrier to parents re-entering the workforce. A survey conducted in 2021 found that 84 percent of working parents need full-time child care 5 days per week and, among those that were unemployed, 78 percent would need child care to return to work.¹

There is a federal tax credit available for businesses that offer child care benefits. Through the 45F credit, employers are eligible for 25 percent of qualified child care expenditures plus 10 percent of qualified child care resource and referral service expenditures incurred by the business, up to the \$150,000 per year limit.²

While Tennessee previously had a state employer child tax credit with minimal uptake, the workforce make-up, need for child care and businesses' interest in offering child care benefits have changed since the credit was implemented in 1994.³ Enhancing the tax credit may increase its use.

Reinstating the tax credit, while expanding beyond construction costs to include operation costs, purchasing costs, cost of subsidies and vouchers, or the cost of resource and referral would provide more opportunity for uptake from businesses that are interested in offering benefits without necessarily building a facility.

In March 2022, 7 percent of private industry workers in the Southeast had access to child care benefits and 37 percent had access to a Dependent Care FSA.⁴

In a 2022 survey of women ages 25-54 who were not urgently searching for work, 34 percent cited child care as the reason why, the second most common response.⁵

In 2023, there were 19 states that offered a state-level employer child care tax credit including Kentucky, Georgia, Mississippi, North Carolina, South Carolina and Virginia.⁶

Six other states, including Alabama and Missouri have legislation filed to implement a state-level employer tax credit.⁶

Every state that borders Tennessee has either implemented or filed legislation to offer a state-level employer child care tax credit.⁶