



Pennsylvania Association for the  
Education of Young Children



## **Position Statement on House Bill 1958, Printer's Number 2757**

*Issued April 24, 2024*

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### **Position**

*The Pennsylvania Association for the Education of Young Children (PennAEYC), Trying Together and First Up support House Bill 1958, PN 2757 to establish an Employer Child Care Contribution Tax Credit program. Tax credit programs will certainly help families better afford child care.*

*Unfortunately, these tax credit solutions address only one aspect of the child care crisis that has two sides. They do not help to expand the supply of child care for working families. Initiatives to help families afford child care must be paired with investments in the recruitment and retention of child care staff is imperative so programs can keep their classrooms open and families can find child care.*

House Bill 1958 is a tax credit for businesses that support their employees' child care costs. The Employer Child Care Contribution Tax Credit program will only benefit the businesses which participate and their associated employees. This type of tax credit only helps if employees have access to child care. In order to make sure that families can find child care, Pennsylvania must address the supply side by providing funds directly to child care businesses so that they can recruit and retain their staff. Creating more tax credits or enhancing current tax credits will not equate to an increase in child care supply. System-wide solutions that increase availability of child care are needed so that we can end the trend of classroom and program closures.

### **Bill Summary**

House Bill 1958 would establish an Employer Child Care Contribution Tax Credit beginning after December 31, 2024. It would allow a qualified taxpayer to claim the employer child care contribution tax credit for a contribution made during the taxable year toward an employer's eligible child-care costs and may apply the tax credit against its qualified tax liability.

Employers must provide the names, addresses and social security numbers of all employees to which the qualified taxpayer made a contribution during the taxable year, the names, addresses and employer identification numbers of the child care providers that provided child care services to each participating employee, the amount contributed to each participating employee and the aggregate contribution.

The tax credit must be equal to 30% of the aggregate contribution made to employees during the tax year, up to \$500 per employee. The first \$5,000 in contributions made under this program must be excluded from the employee's income on their personal income tax returns.

The act would take effect in 60 days.

### **Background**

Employer or business tax credit proposals benefit the businesses which participate and their associated employees. Because the program relies on individual business participation, all working families will not have the opportunity to benefit from the credit. The proposed business tax credit is in addition to the previously passed Child and Dependent Care Enhancement Tax Credit, which does help families more broadly.

Employer or business tax credits are a solution which addresses the demand side of the child care crisis and will help employees that have access to child care. An employer or business tax credit does not help families find child care.

March 2024 updates from a September 2023 survey conducted by The Children's Hospital of Philadelphia's Policy Lab on behalf of Start Strong PA demonstrates Pennsylvania's ongoing child care crisis continues to threaten parents' ability to work and the overall economy. The survey details the child care staffing crisis in 677 of Pennsylvania's child care programs and its effects on working family's ability to access care. According to the survey:

- Nearly 16,500 additional children could be served at child care programs' sites if they were fully staffed.
- Programs reported 3,344 open positions resulting in the closure of 731 classrooms.
- Child care providers' inability to recruit and retain staff is having a direct impact on the quality of their programming.

Please note these survey data only represent the number of closed classrooms, unfilled staff positions, and reduced capacity of 10% of the child care system.

### **Recommendations and Rationale**

*PennAEYC, Trying Together and First Up support House Bill 1958, PN 2757 to establish an Employer Child Care Contribution Tax Credit program, but emphasize the need to pair tax credit solutions to the child care crisis with investments in the child care workforce to address the child care supply problem.*

We understand that child care affordability is a major issue for families and are pleased the child care and dependent care tax credit passed into law to address this and that additional ideas are being put forward to further help families afford care. However, families are struggling to access child care because of the staffing crisis, due to low pay of an average wage of \$15.15/hour. The child care crisis is a supply and demand problem, where tax credit programs can help with the demand side if a family can even find child care, they do nothing to address the supply side of the crisis. Our organizations and campaigns are laser focused on addressing the supply side of the crisis and making an investment in the recruitment and retention of child care teachers so working families are able to access child care.

### **Fiscal Impact to Child Care Provider Community**

As amended, there is no fiscal impact to the broader child care provider community. This bill would allow employers to benefit from the Employer Child Care Contribution Tax Credit but will not address the supply of child care.