

Helping organizations **thrive**



Unlocking Business Support Through Tax Credits

How Employers Can Use Federal & State Credits to Support Child Care

Employers often want to support their workforce but overlook tax credits that make those investments more affordable. Federal and state credits can reduce the cost of benefits like child care support, retirement plans, paid leave, and health coverage.

Why credits matter: Credits reduce taxes owed **dollar-for-dollar** (unlike deductions, which only reduce taxable income).

Key Credits at a Glance

SECURE 2.0: Retirement Plan Credits (Small Employers)

What it does: Offsets costs to start a retirement plan and contribute for employees.

Potential benefits:

- Credit for plan startup/admin costs (up to **\$5,000/year** for 3 years)
- Credit for employer contributions (up to **\$1,000/employee**, phases down over time)
- **\$500/year** credit for automatic enrollment (3 years)

How to claim: IRS Form 8881

Learn more: <https://www.irs.gov/forms-pubs/about-form-8881>

Employer-Provided Child Care Credit (45F)

What it does: Incentivizes employer investment in child care and referral supports.

Potential benefits:

- Up to **\$150,000/year** credit (current law)
- Credit for qualified facility/contract costs + referral costs

How to claim: IRS Form 8882

Learn more: <https://www.irs.gov/forms-pubs/about-form-8882>

Note: Credit expansion is expected to begin **Jan. 1, 2026** (per 2025 reconciliation updates referenced in this training).

Work Opportunity Tax Credit (WOTC)

What it does: Credits for hiring from eligible target groups (e.g., veterans, SNAP, TANF, long-term unemployed).

Potential benefits:

- **\$1,200–\$9,600 per eligible hire** (varies by group and hours worked)

Key requirement: Submit forms within **28 days** of employee start date.

How to claim: IRS Form 8850 + DOL Form 9061/9062, then claim on federal return.

Learn more:

- IRS: <https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit>
- DOL: <https://www.dol.gov/agencies/eta/wotc>

Employer Credit for Paid Family & Medical Leave (45S)

What it does: Credit for wages paid during qualifying family/medical leave.

Potential benefits:

- Credit generally **12.5%–25%** of qualifying wages (up to **12 weeks/year**)

How to claim: IRS Form 8994 (often with **Form 3800**)

Learn more: <https://www.irs.gov/businesses/small-businesses-self-employed/employer-credit-for-paid-family-and-medical-leave>

Small Business Health Care Tax Credit

What it does: Helps small employers offset the cost of providing health insurance through SHOP.

Potential benefits:

- Up to **50%** of premiums (up to **35%** for eligible tax-exempt employers)

How to claim: IRS Form 8941

Learn more:

- IRS: <https://www.irs.gov/credits-deductions/small-business-health-care-tax-credit>
- SHOP: <https://www.healthcare.gov/small-businesses/>

Pennsylvania Employer Child Care Contribution Tax Credit

What it does: PA tax credit for employer contributions toward employees' child care.

Potential benefits:

- 30% of contributions, up to **\$500/employee/year**
- Max credit **\$150/employee/year**

Notes: Non-refundable; must be offered fairly; provider must be eligible/certified.

Learn more: <https://www.pa.gov/agencies/revenue/incentives-credits-and-programs/employer-child-care-contribution-tax-credit-program>

Reminder: This handout is informational and not tax advice. Consult a qualified tax professional.