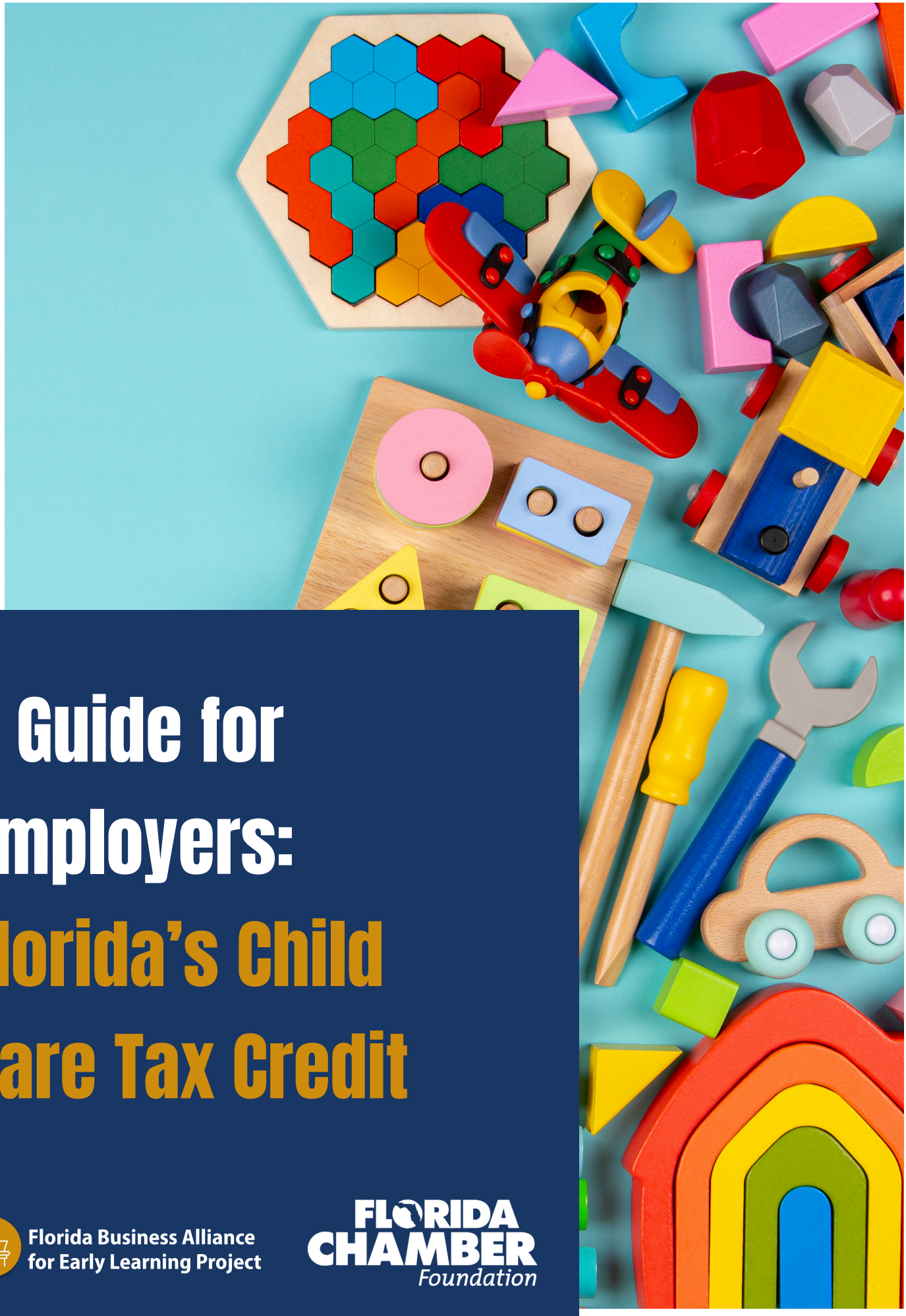

A Guide for Employers: Florida's Child Care Tax Credit

Florida Business Alliance for Early Learning Project

FLORIDA CHAMBER Foundation

Florida's New Child Care Tax Credit: A Win-Win for Businesses and Employees



In the 2024 legislative session, the Florida legislature passed HB 7073, "Taxation," including a provision on the Child Care Tax Credit, originally sponsored by Representative Fiona McFarland, Florida House District 73, and Senator Erin Grall, Florida Senate District 29.

Starting during the 2024 taxable year, Florida's child care tax credit provides businesses with the potential for significant tax savings while supporting employees' childcare needs. This move aims to alleviate the financial burden of childcare through employer-supported care, enabling more parents to participate fully in the workforce. This tax credit offers a huge opportunity to support the workforce of today and tomorrow. According to the Florida Chamber Foundation's Untapped Potential in FL research, **childcare issues are the #1 reason why parents leave their jobs.**

The Florida Department of Revenue will begin accepting applications on October 1, 2024. Applications will apply retroactively for childcare expenses incurred by the employer based on their taxable year. In the meantime, the Department of Revenue, which is charged with administering the program, will be releasing additional information and rules.

This guide aims to share how your business can benefit and what you need to do to be ready for October 2024 when the application opens for you to become qualified for and participate in the child care tax credit program.

Three Ways Employers Can Use Florida's Child Care Tax Credit

1 Startup costs for childcare facilities

- Claim a tax credit of up to 50% of the startup costs for operating an eligible childcare facility licensed by the Department of Children and Families and facilities exempt from licensure for employees.
- The maximum credit varies by the size of the business:
  - For businesses with 1-19 employees, the maximum credit is $1 million.
  - For businesses with 20-250 employees, the maximum credit is $500,000.
  - For businesses with more than 250 employees, the maximum credit is $250,000.

2 Monthly childcare enrollment credit

- Claim a tax credit of $300 per month for each eligible employee's child or grandchild, when the grandparent is the caregiver, enrolled in an employer-operated childcare facility licensed by the Department of Children and Families or facility exempt from licensure.
- The maximum credit amount is also based on the size of the business:
  - For businesses with 1-19 employees, the maximum credit is $50,000.
  - For businesses with 20-250 employees, the maximum credit is $500,000.
  - For businesses with more than 250 employees, the maximum credit is $1,000,000.

3 Direct payments for childcare

- Businesses making payments directly to an eligible childcare facility for the benefit of an employee's child(ren) or grandchild(ren), when the grandparent is the caregiver, can claim a tax credit of 100% of these payments, up to $3,600 per child per tax year.
- The maximum credit amount follows the same structure:
  - For businesses with 1-19 employees, the maximum credit is $50,000.
  - For businesses with 20-250 employees, the maximum credit is $500,000.
  - For businesses with more than 250 employees, the maximum credit is $1 million.

Which taxes will the credit apply to?

- Corporate Income Tax
- Insurance Premium Tax
- Severance Tax on Oil & Gas Production
- Beverage Tax
- Direct Pay Sales Tax

Additional Details on the Child Care Tax Credit

- Only those businesses and organizations that have a tax liability under the five mentioned state taxes eligible for the Child Care Tax Credit program are eligible to utilize the tax credit.
- Employers may operate on-site childcare, choose to jointly operate a childcare center with other taxpaying employers, or partner with a nonprofit to operate a childcare center.
- An employer's contribution may go directly to the childcare provider or pay for a portion or all of the child care costs at a facility of the employee's choosing, or employers may contract with an **early learning coalition** to process payments on their behalf.
- The Florida Legislature appropriated $5 million for the program during the state Fiscal Years 2024-2025, 2025-2026, and 2026-2027.
- This program is a first come, first serve basis.

What Florida Businesses Can Do Now to Prepare for October 2024

While the Child Care Tax Credit application does not officially open until October 1, 2024, there is a lot employers can be doing right now to get prepared:

1. Consult a tax professional to understand how the Child Care Tax Credit may benefit your business.
2. Assess the need and value of this program within your current workforce. See the survey tool that follows.
3. Contact your local early learning coalition or childcare providers to start building relationships.

Survey for Employers to Assess Employee Childcare Needs

EXAMPLE: Survey to Assess Employee Childcare Needs

Thank you for taking the time to participate in this survey. We are conducting this survey to better understand the childcare needs of our employees and explore potential childcare support options to create a more family-friendly work environment. Your feedback is valuable, and all responses will be kept confidential.

Survey Questions

1. Do you have children who require childcare?
    - a. Yes
    - b. No
2. How many children do you have in the following age groups? (Select all that apply)
    - a. Infant (0-18 months)
    - b. Toddler (18 months-3 years)
    - c. Preschool (3-5 years)
    - d. School age (6-12 years)
3. What type of childcare arrangement do you currently use for your children? (Select all that apply)
    - a. Family member provides care
    - b. Non-licensed home care
    - c. Licensed home care
    - d. Childcare center
    - e. Before/after school program
    - f. Nanny or sitter
    - g. Other (please specify)
4. How satisfied are you with your current childcare arrangement?
    - a. Very satisfied
    - b. Satisfied
    - c. Neutral
    - d. Unsatisfied
    - e. Very unsatisfied

5. What are the main challenges you face regarding childcare? (Select all that apply)
    - a. Cost
    - b. Availability
    - c. Quality of care
    - d. Hours of operation
    - e. Location
    - f. Transportation
    - g. Other (please specify)
6. Would you be interested in on-site childcare provided by your employer if it were available?
    - a. Yes
    - b. No
7. How much would you be willing to pay per week for on-site childcare?
    - a. $0-$250
    - b. $251-$500
    - c. $501-$750
    - d. $750-999
    - e. $1000+
8. What additional services would you like to see in a childcare program? (Select all that apply)
    - a. Meals and snacks
    - b. Diapering supplies
    - c. Transportation
    - d. Extended hours
    - e. Care during school holidays and breaks
    - f. Sick child care
    - g. Other (please specify)
9. Do your childcare responsibilities impact your ability to work regular hours or attend work regularly?
    - a. Yes, often
    - b. Yes, sometimes
    - c. No
10. Would you be interested in participating in a follow-up discussion or focus group about childcare needs?
    - a. Yes (If yes, please provide your name and email)
    - b. No

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For more information contact:
Makayla Buchanan, Director of Early Learning & Literacy
Florida Chamber Foundation
mbuchanan@flchamber.com | 850.509.9763

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