Fiscal Impacts of Child Care Benefits

Teryn Waldenberg, Immanuel Living CFO

Leigh Ann Downie-Economy, Director of Growing Roots Early Learning Center

Benefits

- Recruitment tool
- Retention strategy
- Employee satisfaction
- Fiscal advantages
    - Reduced turnover
    - Potential tax credits

Immanuel Living's Child Care Journey

- Interest from Staff
- Need for an attractive benefit
- Church partner interested in leasing us space
- Executive with experience from both parent, center and employer perspectives
- ARPA Grant opportunity announced
- Potential Director reached out
- ARPA Grant awarded
- Church signed lease

Considerations

- Immanuel could not support additional financial losses
- Business structure was key to being able to maintain a break-even, long-term center
- What did our employees need?
- What did our community need?
    - Businesses need employees.
    - Employees need childcare.

Growing Roots Early Learning Center

- Supports up to 94 children 6 weeks to 12 yo, M-F 6am-6:30pm with two locations
- 11 classrooms with 9 of those currently operational
- 102 children enrolled, 80 average daily child count
- Curriculum that encourages fine and large motor skills, art, music, science, problem solving, and reading readiness.
- Employs professional and caring individuals who share the program's passion for early childhood development
- Includes intergenerational programming
- Faith based programming includes weekly chapel with Pastor

What We Learned

- Childcare as a benefit is not widely understood
- While there is a community need, people need time to make a transition
    - Those in the market for jobs already are the first to enroll
- Pay and benefit packages are very helpful in recruitment efforts.
- Importance of keeping employee “benefit” separate from childcare operations
- UBIT for nonprofit organizations
- Taxable benefit

Employee Tax Considerations

- "benefit" is the difference between community rate and the amount our employee pays
    - You can exclude up to $5,000 per employee (we do not do this)
- Tax options for families
    - Dependent Care Flexible Spending Account – pre-tax benefit for certain eligible dependent care services
    - Child and Dependent Care Tax Credit (CDCTC) – % eligible child care expenses
        - Families can claim up to $3,000 for one dependent or $6,000 total with maximum credit being ($2,100)
    - Child Tax Credit – per child based on modified adjusted gross income

Employer Tax Consideration

- Employer-provided child care credit (USC 45F)
  - 25% qualified expenditures and 10% qualified resource and referral expenditures up to $150,000
  - Must be “qualified child care facility”
  - “qualified child care expenditure” means any amount paid or incurred
    - (i) to acquire, construct, rehabilitate, or expand property-
      - (I) which is to be used as part of a qualified child care facility of the taxpayer,
      - (II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and
      - (III) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer,
    - (ii) for the operating costs of a qualified child care facility of the taxpayer, including costs related to the training of employees, to scholarship programs, and to the providing of increased compensation to employees with higher levels of child care training, or
    - (iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.
  - Cannot sell
  - Can offset UBIT

*** Please do not consider this presentation tax guidance of any sort. You should discuss with your tax professional to see if any of this information applies to you or your employees and how.**

Thank you!

Questions?