

INVESTING IN YOUR WORKFORCE: ATTRACTING AND FINDING STAFF BY OFFERING CHILDCARE BENEFITS

ASSIST EMPLOYEES WITH CHILDCARE COSTS OR ACCESS

While a business can provide this directly to employees, there are also third-party companies that exist to facilitate an array of services for employees as part of a benefits package. These benefits help lower the cost of care for employees or assist them in accessing care for their children.

For example:

- Provide direct guidance and service to employees to help them find the type of childcare that meets their needs.
- Facilitate a “back-up care” program where a business establishes a partnership with a specific childcare provider that can provide care should a working parent’s usual childcare arrangement be disrupted.
- Set up and manage an employer childcare subsidy program where employers help defray the cost of care for employees by providing vouchers.
- Manage partnerships with childcare providers. For example, arranging access to a certain number of spots reserved at a childcare provider specifically for that employer, oftentimes at negotiated special rates.

OFFER A DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT

Employers can offer a Dependent Care Flexible Spending Account (DCFSA) - a pre-tax benefit account used to pay for eligible dependent care services. Like a Flexible Spending Account for healthcare, with a DCFSA, funds are withdrawn from an employee’s paycheck before taxes are deducted which reduces an employee’s overall tax burden. At the end of the year, employees who contributed to a DCFSA can submit receipts and be reimbursed for those eligible expenses. Employees can contribute up to \$5,000 a year when filing as individuals or with a joint tax return, or married couples filing separately can contribute \$2500.

OFFER SHIFT AND WORKER FLEXIBILITY SO PARENTS CAN CARE FOR THEIR CHILDREN

If possible, offer flexible work hours and remote work. Allow workers to choose the start of shift time and/or have flexible start times (for instance, between 6 and 8 am.) Allow workers to swap 4 to 8 hours of their shifts with other employees a certain number of times per month.

OFFER ON-SITE CHILDCARE

On-site childcare companies provide a powerful solution: high-quality childcare centers located at the workplace, designed to cater to the specific needs and schedules of employees.



DID YOU KNOW:

Employers can recoup some of the costs of third-party intermediaries through state AND federal tax credits.

U.S. Employer-Provided Child Care Credit

The Federal Employer-Provided Child Care Credit can save employers with eligible expenses more in taxes than using a deduction alone, and employees can exclude some childcare benefits from their taxable wages. For employers, the credit can offset actual federal income tax liability. Any size employer or type of company can claim this credit. The Employer-Provided Child Care Tax Credit allows employers to claim 25% of qualifying expenses, including:

- When a business builds or acquires and then operates an in-house childcare center
- Amounts paid to contract with a licensed childcare program (including home-based providers)

Employers can also claim a 10% credit for costs associated with contracting with a third-party referral service. The credit is capped at \$150,000.

Mississippi Employer-Sponsored Care Tax Credit

Mississippi offers a 50% income tax credit for employers that provide dependent childcare for their employees during their working hours. This credit can be applied to the cost of employers contracting with outside entities to provide childcare or if they provide a care facility themselves. The credit allowed is capped at \$3,000 for each participating employee per year. The credit applies to the net cost of contracted dependent care or expenses related to employer-provided dependent care.

- Eligible expenses include staff, materials, equipment, and facility construction and maintenance.
- Additional eligible expenses include net costs assumed by the employer that increase the quality, availability and affordability of dependent care specifically during employees' working hours. The net costs can include direct payments made to a licensed or registered entity to provide dependent care for employees' children and the expenses incurred in organizing/administrating the direct payment program in the first year.

This document was compiled and created by the Mississippi Early Learning Alliance (MELA) in October of 2023. It is not meant to provide tax advice, but rather to make business owners aware of possible ways to offset the costs related to supporting employee childcare.

ABOUT MELA:

MELA envisions an equitable early childhood system where Mississippi children reach their full potential. We exist to build, strengthen, and support coalitions to advocate for systems change to improve early learning and child development outcomes in our state. We champion shared policies, we promote innovative and evidence-based practices, we support the collaborative design of solutions and collective action, and we elevate the voices and experiences of individuals who work in the field of early care and education and parents of Mississippi children most impacted by racial and economic inequality.