Chair Gelser
Senate Committee on Human Services and Early Childhood
SB 48 Testimony
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My name is Cynthia Hurkes. I was the Business Liaison for the Oregon Child Care Resource & Referral Network office located in Salem, Oregon from 2003 through 2011. From 2003 to 2008, I worked directly with employers and marketed the dependent care tax credit (DCTC) as part of a worklife benefits package. During this period, I offered 537 trainings and technical assistance (TA) to employers, 42 presentations to 1,260 business people, 228 trainings and TA to local Child Care Resource and Referral (CCR&R) programs and attended 12 employer conferences with approximately 3,000 people in attendance. From 2008 to 2011, I was the contact for employers who were interested in utilizing the credit, but did not actively provide marketing services.

Marketing of the DCTC was promoted through worklife benefits, which refer to a specific set of practices that support the efforts of workers to achieve success both at work and at home. Worklife benefits include: care for dependents (children and elders), financial support and subsidies for child & elder care, flextime, tele-commuting, compressed workweek, part-time schedules and job sharing.

The dependent care tax credit allows employers to provide dependent care assistance for employees to include child care and elder care. An employer can offset 50 percent of their Oregon State tax liability up to $2,500 per employee for operating an employer-run facility or contracting with a third-party child care provider; purchasing employees' child care through payments to a third-party child care provider; providing direct subsidies or vouchers to employees; and, contracting for child care resource and referral services.

Oregon Employer Dependent Care Tax Credit	
State taxable income	$500,000
State income tax	$25,000
Employer subsidy per employee	$2,000
Number of employees using subsidy	15
Total employer investment	$30,000
Amount of tax credit (50% of investment)	$15,000
Employer state tax liability after credit	$10,000

The dependent care tax credit must be set up under a dependent care IRS 129(d) assistance plan, a type of flexible spending account in which an employee sets aside a certain amount of pre-tax dollars each month, usually in the form of a salary reduction plan, to pay for dependent care. Such an arrangement allows the employee to avoid paying income and FICA taxes on the amount used for dependent care assistance. Employers receive a tax advantage as well and do not have to pay Social Security, federal employment, and most state and local payroll taxes on the amounts provided for dependent care.

After the employee accumulates dependent care expenses, they submit receipts for these expenses to the dependent care account. The account then reimburses the employee up to a maximum of $5,000 per year for these expenses. This payment is not subject to either income or FICA tax because it is technically a benefit, not compensation. The employee cannot receive payment for any expenses that are more than the amount they have set aside in the dependent care account.

This is not the workforce of our grandfathers – Currently, only 13 percent of all families fit the traditional model of husband as wage earner and wife as homemaker. New census figures show that as of 2011 only 23 percent of married couple families with children younger than age 15 have a stay-at-home mother. Today, there are more children being raised by single moms than by married couples where the man earns all the income and the wife stays home. Nationally, 49 percent of the workforce is women. In Oregon in 1970 – 43.3 percent of the workforce was women; in 2012 it was 49 percent.[1]

Generational characteristics have also changed. Generation X (1965 to 1980) and Generation Y (Millennials -1981 to 2006) are no longer willing to live to work; they work to live. Their worklife emphasis is on lifestyle, family and personal time. Although they may be passionate about their work, they see it as a means to an end, not an end in itself.[2]

In Oregon small employers are defined as less than 500 employees. There are 85,817 small employers in Oregon most of which have less than 50 employees. Large employers are defined as more than 500 employees; in Oregon there are 2,079. This translates to 97.6 percent of Oregon businesses as small employers.[3] Small businesses cannot generally afford to offer child care subsidies to their employees so they have the most to gain by using the DCTC.

Why Worklife Benefits and the DCTC:

- **Decreasing Turnover –** Turnover rates are 37-60 percent for parents without appropriate child care supports.[4]. Turnover costs are 150-200 percent of an exempt person's yearly salary and 75 percent of a non-exempt person's salary.
- **Lowering Absenteeism** - Employees without appropriate child and dependent care supports miss an average of 9 work days per year. Female employees who are single parents miss an average of 12.5 days per year. The true cost of absenteeism ranges from 75-300 percent depending on the business purpose. Appropriate child and dependent care supports decrease absenteeism by 2 days per year.[5]
- **Presenteeism** - Employees who feel "burned out" tend to leave, have less commitment and focus, become depressed, and have a host of stress-related illnesses that include heart disease and cancer as well as headaches and other minor but debilitating ailments. A Families and Work Institute study of more than 3,000 workers found that 42 percent said they felt "used up" by the end of the day, even though they very much wanted to do a good job at work. Employees who are committed go the extra mile. They miss fewer days of work and show higher levels of performance.[6]
- **Increasing Productivity –** Parental self-reporting shows that employees lose at least 1 hour of work per day thinking about whether their children or dependents are safe.
- **Return on Investment (ROI) –** Child and dependent care supports in the workplace decrease absenteeism, reduce turnover, and increase productivity. Usage of the Oregon Dependent Care Tax Credit and federal tax credits play a significant part in ROI. Child and dependent care is a benefit of a broad range of employer assets that increase workforce stability and productivity.

[1] Quality Information, Informed Choices – Oregon Employment Department published March 15, 2014).

[2] Generations at Work: Managing the Clash of Veterans, Boomers, Xers and Nexters in Your Workplace by R. Zemke, C. Raines and R. **Filipczak**

[3] Small Business Administration

[4] National Child Care Information Center

[5] Families and Work Institute

[6] Ibid