



Early Learning Division | 775 Summer St NE, Suite 300, Salem, OR 97301

Office of Child Care | Phone: 503-373-0066

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## Employer Provided Dependent Care Tax Credit Dependent Care Information and Referral Services Tax Credit

Chair – Representative Gelser

Senate Bill 48 – Senate Committee on Human Services & Early Childhood

March 19, 2015

### Function:

- The Tax Credit provides an offset to employers who provide assistance to their employees in finding or providing care for their dependents.
- Dependent care includes care for children 0-12; children with disabilities 0-17; and, elder care.

### Public policy purpose:

- Stable, affordable dependent care enables working families to maintain employment.
- Reduces employee absenteeism due to lack of stable, affordable dependent care.
- Assists employer in maintaining a stable, productive workforce.
- Assists employer in recruiting a workforce that values a work/life balance.

### Amount of state tax credit allowed:

- **Dependent Care:** \$2,500 per employee; no cap on number of employees.
- **Information and Referral Services:** 50 percent of costs; no cap on costs.

### Who uses this tax credit:

- **Dependent Care:** Employers with employees working in Oregon who have dependent care costs and care is paid or partially paid by the employer (table of types of employers using this credit from 2001 to 2014 attached – OCC certified only)
- **Information and Referral Services:** Employers who pay for information and referral services to find dependent care for employees.
- Not all employers that claim this credit get a certification from the Office of Child Care (OCC). In 2012, 98 employers claimed the credit and the OCC issued 26 certificates. 12 C-Corporations claimed the credit and the rest were various types of businesses – sole proprietors, LLCs, and S-Corporations.

### Employer Use of Credit and Business Expenses:

- Employers cannot claim this credit if they do not meet the requirements of 26 US Code 129(d), which outlines the requirements of a dependent care assistance program; restrictions are in place for shareholders, spouses, and dependents of employer.
- Employers cannot claim expenses for their own dependents with this tax credit.
- Employers cannot claim this credit if the amount paid or incurred is paid or incurred pursuant to a salary reduction plan or is not paid or incurred for services performed within this state.

### Use for off-site or on-site dependent care / construction of child care facilities:

- Employers can pay for both on-site and off-site dependent care for employees as part of their dependent care assistance plan.
- Tax credits for construction of child care facilities only applies to construction prior to 2002.

OREGON DEPARTMENT OF EDUCATION

Kate Brown, Governor





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**Role of Office of Child Care**

- Office of Child Care through the certification process validates the provision of either dependent care or information and referral services (application and sample certification letter attached)

**Statutory authority and administrative rule:**

- ORS 315.402 – Early Learning Division, Office of Child Care (OCC). Tax credit has been in code since 1986. No problems with misuse of the tax credit have been reported.
- OAR 414-100-0000 – Early Learning Division, Office of Child Care – certification approval.

**Marketing and public outreach:**

- Marketing of this tax credit to the Oregon employer community was subcontracted to the Oregon Child Care Resource and Referral Network from 2003 to 2011.
- Information about all child care tax credits administered by OCC is sent in November every year to a large list of CPAs and tax consultants (over 4,000), which is provided by the Department of Consumer and Business Services.

**Administrative costs:**

- Administrative costs are minimal as the marketing is no longer contracted.
- The Office of Child Care does not receive general funds specifically to administer this tax credit.

**Consequences of allowing tax credit to sunset:**

- Majority of tax credit users are small businesses, not large corporations. Paid dependent care is an attractive benefit for job seekers with child and elder care costs.
- Biggest beneficiary of employer-paid dependent care in combination with other federal and state child and dependent care tax credits is low- to middle-income families.

**Reduction of tax credit by 50 percent:**

- Effects of a reduction in this tax credit are not known.

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