U.S. Chamber of Commerce Foundation

Game Plan:

Leveraging Federal Tax Incentives for Business Childcare Solutions

When employers support childcare initiatives that benefit working parents, it improves talent attraction, retention, and worker satisfaction. It gives smaller businesses the ability to offer competitive benefits, build a deeper talent pool, and reduce costly turnover.

The enhanced employer-provided credit (I.R.C. § 45F credit) incentivizes businesses to provide for their employees through an increased maximum credit amount and additional qualifying expenses. For example, the improved credit allows businesses to contract with third-party services to provide. **This opens the door for more businesses to act as innovators and community leaders without directly being a expert or facility operator.**

This is an evolving document that will be updated regularly.

The U.S. Chamber and U.S. Chamber Foundation does not provide legal or tax advice. Consult an attorney or a qualified tax professional for more information on or assistance with respect to the section 45F employer-provided tax credit.

The Big 3 Enhancements You Need to Know

EXPIRING RULE

$150,000 maximum credit limit. 25% of qualified expenses + 10% of qualified resource and referral expenses.

NEW GENERAL RULE

$600,000 maximum credit limit. 50% of qualified expenses + 10% of qualified resource and referral expenses. Gross receipts of the business must be less than ~$31M (as of 2026) to be eligible for the enhanced small business rules.

Keep reading for more specific examples of the Big 3 Enhancements to 45F

1

Benefitting Businesses (General Rule)

The enhanced I.R.C. § 45F tax credit will allow businesses to claim a tax credit of 40% of expenses capped at $500,000. Eligible small businesses will be able to claim a tax credit of 50% of expenses capped at $600,000. In order to be eligible, gross receipts of the business must be less than ~31M (as of 2026).

2

Pooling Resources (Great for Small Business!)

Expanded eligibility, starting in 2026, allows businesses to claim expenses paid to intermediaries and to pool funds to jointly own child care facilities and will continue to be eligible for credit.

3

Introducing Intermediaries

A key change for businesses of all sizes is that fees paid to **third party intermediaries** are now a qualified child expense. Hiring third parties who are experts in the childcare community benefit distribution, types of childcare, licensing requirements and more.

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Understanding the Expiring Employer-Provided Childcare Credit

The Employer-Provided Childcare Credit provides significant benefits for both employers and employees, offering advantages beyond a simple tax credit.

Tax Savings for Employers: The I.R.C. § 45F credit encourages employers to provide working parents with child-care while allowing the business to offset such cost with a tax credit. Tax credits directly offset a businesses tax liability dollar-for-dollar.

Credit Parameters

Eligibility

Any employer that has paid or incurred **qualified childcare expenditures** during the tax year to provide childcare services to employees.

Credit Cap

The I.R.C. § 45F credit is limited to **$150,000 per year**. **It equals 25% of the qualified childcare facility expenditures** plus **10% of the qualified childcare resource and referral expenditures** the employer pays or incurs during the tax year.

Qualifying Expenses

25% Credit on Childcare Facility Expenditures

- Acquiring, constructing, rehabilitating or expanding property used as the employer's qualified childcare facility.
- Contracting with a qualified child care facility to provide services to employees
- Operating expenses (e.g., amounts paid to support childcare workers through training).

10% Credit on Referral Expenditures

Includes amounts paid or incurred under a contract with a qualified childcare facility to provide childcare services of the taxpayer (e.g., a third-party contract).

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TAX CREDIT COMPARISON

In 2026, Business Will Benefit from an Enhanced 45F

HR1, the “One Big Beautiful Bill Act,” made generational investments in the Employer Provided Childcare Tax Credit

EXPIRING RULE

- $150,000 Maximum Credit
- 25% of qualified childcare expenses plus 10% of the qualified childcare resource and referral expenses
- Businesses must spend $600,000 on qualified expenses to receive maximum credit

NEW EXPANDED CREDIT

- Increased maximum credit of **$500,000 for all businesses – increased to 40% of qualified expenses.**
- Enhanced support for eligible small businesses - **increased maximum credit to $600,000 for eligible small businesses, increased to 50% of qualified expenses.**
- Additional qualifying expenditures, including fees paid to intermediaries.
- More eligibility opportunities — businesses are now able to jointly own child care facilities and continue to be eligible for credit.
- These updates are great for eligible small businesses!

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45FAQS

01 Why would an employer utilize 45F?

Employers know that supporting working parents improves conditions for their workforce. I.R.C. § 45F can incentivize employers to enhance childcare offerings for their employees. This in turn improves recruitment, retention, and productivity of working parents, and enables employers to build a reputation as a family-friendly workplace.

02 When do the changes go into effect?

The effective date for the enhanced I.R.C. § 45F credit is January 1, 2026.

03 Who can apply for 45F?

An employer with qualified childcare expenses, including eligible small businesses.

04 How do I apply?

Employers claim the credit on their federal tax return using IRS Form 8882, supported by contracts, invoices, and proof of licensing. *Consult your tax advisor before embarking on projects to ensure eligibility and compliance.*

05 How much do I need to spend?

The credit equals 40% of qualified expenses up to the $500,000 cap (50% for eligible small businesses). Even modest contributions can yield returns in pooled models.

06 What are qualified childcare expenditures?

Qualified expenditures include all **previously allowed** qualified expenditures and any amount paid or incurred under a contract with a qualified childcare facility to provide childcare services to employees of the taxpayer, or under a contract with an intermediate entity that contracts with one or more qualified childcare facilities to provide such childcare services.

07 What is the definition of a “small business”?

Gross receipts of the business must be less than ~$31M (as of 2026) to be eligible for the enhanced small business rules.

08 Is there any additional information we need?

Yes, the IRS will be releasing additional guidelines on this enhanced tax credit at a later date.

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Enhancement #1: Benefiting Businesses (General Rule)

EXPIRING RULE

$150,000 maximum credit limit. 25% of qualified expenses + 10% of qualified resource and referral expenses.

NEW GENERAL RULE

$500,000 max credit limit. 40% of qualified expenses + 10% of qualified resource and referral expenses. A business must spend at least $1.25M on childcare related expenses to receive the full credit.

Scenario: Tech Corp

Industry: Technology

Employees: 10,000

Action: Builds an on-site childcare center and contracts with a local provider for overflow care. Also offers resource and referral services.

Current 45F

(through Dec 31, 2025)

Qualified Expenses:

On-site facility:	$2,000,000
Contract provider:	$100,000
Resource & referral:	$50,000
Total:	**$2,150,000**
25% facility + 10% referral =	$525,000
Credit:	$150,000
Tax Liability: $10,000,000 - $150,000 =	$9,850,000

Enhanced I.R.C. § 45F Credit

(Jan 1, 2026)

Same Expenses:	$2,150,000 total
New Credit:	40% facility + 10% referral
Apply $500,000 cap:	**$500,000**
Tax Liability: $10,000,000 - $500,000 =	**$9,500,000**

Additional $350,000 in tax savings!

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Enhancement #2: Pooling Resources (Great for Small Business!)

EXPIRING RULE

$150,000 maximum credit limit. 25% of qualified expenses + 10% of qualified resource and referral expenses.

NEW ELIGIBLE SMALL BUSINESS RULE

$600,000 maximum credit limit. 50% of qualified expenses + 10% of qualified resource and referral expenses.

- Gross receipts of the business must be less than ~$31M (as of 2026) to be eligible for the enhanced small business rules.

Scenario: Coastal Tourism Alliance

Location: Gulf Coast town in Florida

Participants: Seaside Grill (20 employees), Harbor Adventures (15 employees), Sunset Inn (25 employees)

Partner: Coastal Kids (licensed nonprofit network)

Form Consortium

Businesses sign joint agreement with nonprofit center to reserve slots for employees' children and fund extended evening care

Calculate Contributions

Each business contributes proportionally: $30,000 for slots + $3,000 for referral services = $33,000 per business

Claim Credits

50% credit rate for small businesses: $15,000 + $300 = **$15,300 tax credit per business**

Impact: Each small business reduces its federal income tax liability by $15,300. This scenario utilizes the new intermediary rule (i.e., ability to pool resources), the new increased 50% of qualified expenses for eligible small businesses and leverages nonprofit partnerships.

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Enhancement #3: Introducing Intermediaries

NEW CONTRACTING ALLOWED

Businesses may contract with one or more facilities, known as an “intermediary” to provide childcare services. An intermediary can be an organization like a Child Care Resource & Referral Network (CCR&R), a community organization, or a private-sector intermediary. These organizations can play a crucial role in simplifying complex processes for businesses seeking to provide childcare and leverage childcare tax credits.

Traditionally, intermediaries assist with a spectrum of supports, including:

Local Referrals

Connecting businesses with local providers and networks.

Capacity Information

Providing insights on existing providers, community capacity, and availability of services.

Licensing Guidance

Offering information on state licensing requirements for facilities.

Financial Assistance

Guiding businesses on where to find help paying for , including available subsidies and grants.

Specialized Supports

Furnishing information on specialized supports for children with disabilities, facilitating inclusive solutions.

Provide Childcare

An intermediary may play the role of one or more providers who actually provide the care or liaise with the employer and the providers of care.

The Internal Revenue Service is expected to issue regulations and/or guidance to help businesses understand how to implement this new addition to the law.

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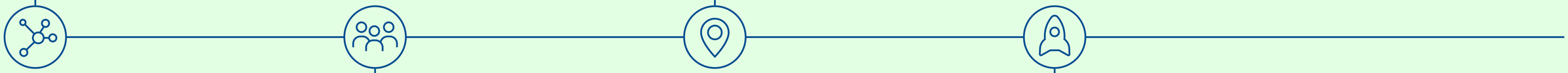
Categories of Action

Organize

- Understand Federal Tax Incentives
- Create working group with business & providers

Employers & Intermediaries

- Map local childcare needs
- Educate stakeholders about policies & get input



Connect

Reach out to the U.S. Chamber of Commerce Foundation for resources & support

Develop Model

- Design & Launch
- Monitor, Evaluate, & Adapt

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State-Level Employer Childcare Tax Credits

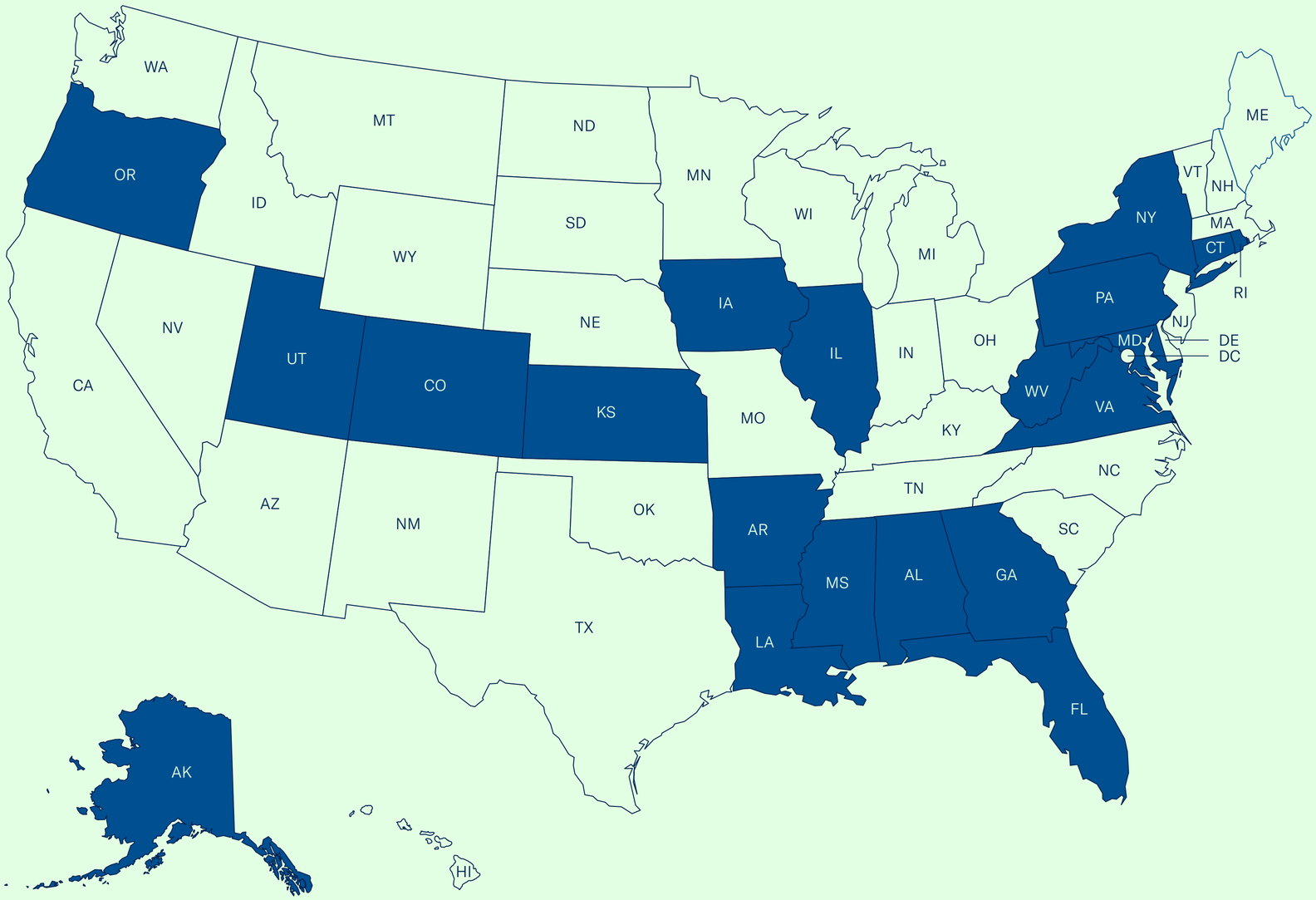
States in blue indicate those that currently have an active state-level employer childcare tax credit. See two examples below:

FLORIDA

The Tax Credits Program provides credits to businesses that establish or operate facilities for employees. Maximum credits range from **$50,000 (1–19 employees) to $1 million (250+ employees)**. This encourages employer-sponsored solutions.

COLORADO

Businesses can claim a **50% income tax credit** for qualifying contributions to promote , up to $100,000 per year. Allows for investment in tangible personal property for centers or family care homes.



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