famtech.org | Care Assembly

Business Leaders in Action for Childcare National Summit
Denver, November 2026

Employer-Provided Child Care Tax Credit (45F)

A Practical Guide for Employers



40%
of what you spend comes back as a tax credit

50%
if you're a smaller business*

$500K
annual cap per business ($600K for smaller businesses)**

New for 2026. (On the books since 2001, but at 25%, capped at $150K, with harder requirements)

Why This Credit Matters Now

The Employer-Provided Child Care Credit (45F) has existed for years, but complexity, misconceptions and a low rate limited how widely it was used.

The 2025 tax law raised the rate and the cap, and changed how employers can qualify, including through shared facilities and intermediaries. Because a credit lowers tax dollar for dollar, that opens up options many employers couldn't justify before.

This credit will not apply to every employer. But most for-profits that owe tax can use it.

This guide helps you figure that out quickly. If the credit is a fit, you'll see how to proceed. If it isn't, you'll know early and can focus on other options.

Mythbusting

	YOU MIGHT HEAR	REALITY
1	It's only for on-site daycare	**Paying off-site licensed providers counts**
2	It's only for big companies	**Any size: intermediaries and pooling help smaller firms**
3	State credits don't stack	**Several states add their own credit on top**
4	It's only for certain employees	**It can and should be offered broadly**
5	Wait for IRS guidance	**Enough is settled to start planning**

*Average annual gross receipts of $32M or less over the prior five years (2026 figure). Caps adjust for inflation after 2026. Source: IRS, "Employer-provided child care credit, tax year 2026 and later"; IRC §45F, §448(c).

**Businesses with common owners are generally treated as a unit. Businesses with multiple employing entities may or may not be separate. Check with your tax advisor on details.

Adapted from the 45F decision guide by FamTech.org's Policy Strategy Committee, created to help employers and their partners move from policy to implementation.

Decision Tree:
Are You Eligible for the 45F Credit?

Work down the page. You may exit at any point, and that's expected.

Step 1: Employer Eligibility

1.1 Are you a for-profit business?
C-corp, S-corp, partnership, LLC or sole proprietor

- **No** → ✗ **Nonprofits, government, tribal entities:** usually no tax to offset. Look at state programs.
- **Yes** ↓

1.2 Do employees have young kids?

- **No** → ✗ Revisit as the workforce changes.
- **Yes** ↓

1.3 Do you owe federal income tax, now or soon?
In S-corps, partnerships and sole props, the owners' tax counts

- **No** → ? Unused credits can carry back 1 year and forward 20. Worth a talk with your tax advisor.
- **Yes** ↓

Step 2: How Will Child Care Benefits Be Delivered?

You don't need to build your own facility. Most smaller employers will pay providers, directly or through an intermediary, and enterprises can too. Each solution has a different credit amount.

A. ✓ 40–50% credit

- **Build or run a facility:** construction, acquisition, expansion, renovation, operating costs
- ★ **Shared facilities:** jointly owned or operated with other employers
- **Contract with licensed providers:** seats or subsidies, including current providers
- ★ **Intermediaries:** payments to an entity that contracts with licensed providers (see page 3)
- ★ New for 2026

B. ✓ 10% credit

Resource and referral: fees paid to help employees find care, including to nonprofits, concierge services and technology platforms

C. Ineligible or uncertain

- ✗ Cash stipends, reimbursements and dependent care FSAs
- ? Back-up care
- ? After-school programs

Step 3: Provider Eligibility

Spending can't exceed the fair market value of the care.

- ✓ Licensed centers and licensed home-based providers that meet state and local rules
- ✗ Relatives, nannies, au pairs, babysitters
- ? Facilities legally exempt from licensing

Step 4: Outcomes

A. ✓ Likely eligible

Next steps:

- Confirm with your CPA or tax advisor
- Identify provider or intermediary partners
- See what it's worth (page 3) and where to start (page 4)

B. ✗ Not eligible (today)

Common reasons include entity type, ineligible care or non-qualifying spending.

Next steps:

- Consider other child care benefits and state programs
- Re-evaluate if business or tax circumstances change

C. ? Unclear / gray area

Depends on structure, allocation, interpretation or when you'll owe tax.

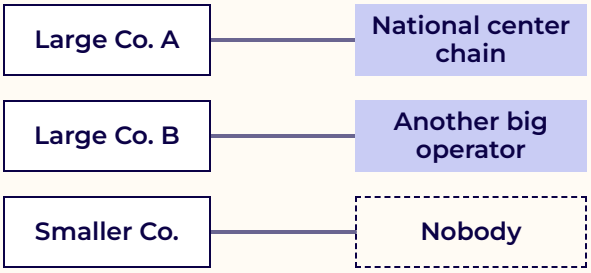
Next steps:

- Work with tax, legal and child care advisors
- Clarify delivery model and documentation approach

New in 2026: Intermediaries

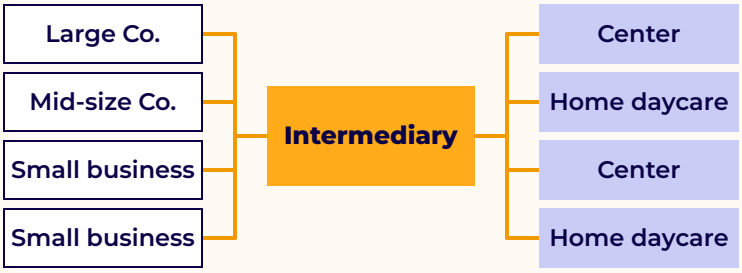
Payments to an intermediary that contracts with licensed providers now count as qualified spending.

THE OLD WAY: ONE-TO-ONE



- Limited networks
- Takes scale to fund a center or buy seats

NOW: MANY-TO-MANY



- More choice than any one network
- Families can often keep their provider
- Faith-based, bilingual, academic and other options
- Works for any size of employer
- Less admin for everyone

The basic structure is settled; some details are pending. The 2025 law names this model directly, so employers can plan around it. Treasury guidance is expected to fill in details, such as who counts as an intermediary, and may address how an intermediary's own fees are treated. A service that only helps employees find care generally falls under resource and referral (10%).

What It's Worth

A credit lowers tax dollar for dollar, and the rest of what you spend generally stays deductible. That can save roughly another 10–25 cents per dollar of care, depending on your tax rate.

Per $100,000 of care	Smaller business	Larger employer
Federal credit (50% / 40%)	$50,000	$40,000
Tax saved on the rest	$10,500	$12,600
Net cost	**$39,500**	**$47,400**

Net cost = (spending − credit) × (1 − tax rate). Illustrative: a C corporation at the 21% federal rate with enough tax to use the credit, before any state credit.

Good at Any Size

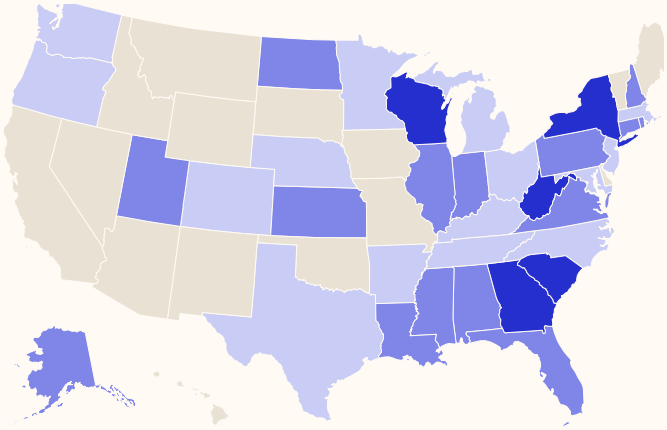
Small and midsize: up to 50% under $32M in receipts, often on the thinnest benefits offering today, with no building needed.

Large employers: up to $500K a year, per employer. That offsets centers and seats they already fund and changes the ROI on programs that didn't pencil out before.

For employees: under a written plan, employer-paid care is generally tax-free up to $7,500 a year, shared with any dependent care FSA.

State Credits Can Stack

Several states add their own credit on top of the federal one, led by Georgia, New York, South Carolina, West Virginia and Wisconsin. Others offer cost-sharing or grants. Each has its own caps, timing and paperwork.



Strong state credit: 5 **Credit with limits:** 15
Other support: 15 **Federal only:** 15 + DC

Updated through October 2026, for a 2027 tax year start. Notes on every state:
careassembly.com/state-credit-map

Step 5: If Eligible, Bring In Your Advisors

The tax math fits on a spreadsheet. Setting up and running a program takes more work, and few HR teams have the time or the specialist background to carry it alone. If you're getting close to a child care decision, it makes sense to talk with an expert, starting with the advisors you already use.

1	**2**	3	4
You're here	**Talk to your broker or CPA**	**Check the fit**	**Pick a structure**
Know enough to ask good questions	Share this guide with them	Tax position, workforce, your state	Pay providers, use an intermediary, or build

Your broker or CPA doesn't need to be a child care specialist. They can bring one in, and we're happy to talk with them directly if they have detailed questions.

What a Program Takes

01 **Set eligibility rules.** Offer it broadly, on the same terms.

02 **Contract with providers.** Verify licenses and keep copies.

03 **Pay providers monthly.** Keep invoices and proof of service.

04 **Track who uses it.** Who used it, what was paid, to whom.

05 **Check it doesn't favor highly paid staff.** There's no 45F safe harbor yet.

06 **Build a year-end file for your CPA.** They claim it on Form 8882.

Settled vs. Still Open

SETTLED

- ✅ Rates and caps
- ✅ Must meet licensing rules
- ✅ Intermediaries count
- ✅ Shared facilities count
- ✅ Can't favor highly paid staff

STILL OPEN

- ❓ Intermediary fees
- ❓ How "favoring" is tested
- ❓ Who counts as an intermediary
- ❓ Splitting a shared facility

No 45F regulations or notice yet, but enough is settled to start planning. For the latest on rulemaking, email **policy@famtech.org**.

Resources

IRS overview
irs.gov, search "employer-provided child care credit"

Full FamTech 45F decision guide
famtech.org

State-by-state credit map
careassembly.com/state-credit-map

EPIC Employer Child Care Navigator
employerchildcarenavigator.org

famtech.org

Anna Steffeney
Executive Director
anna@famtech.org
info@famtech.org
famtech.org

The nation's only tech hub for the Care Economy.

Care Assembly

Jake Arluck
Founder
jake@careassembly.com
(917) 409-6389
careassembly.com

Helps employers design, set up and run child care benefits that qualify for these credits.

Treasury is expected to issue guidance clarifying intermediary roles, qualified expenses and documentation expectations. This guide is for informational purposes only and does not constitute tax, legal or accounting advice. Employers should consult their professional advisors before filing. Guidance reflects publicly available information as of November 2026.