



# Trying Together — Employer Child Care Tax Credits Toolkit

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Stabilizing your workforce through strategic, tax-advantaged child care investments

*Pennsylvania's economy and the success of our business community depends on working families.*

## Executive Summary: The Business Case

Child care instability imposes real costs on organizations—absenteeism, turnover, unfilled roles, and reduced productivity. Pennsylvania’s inadequate child care options results in an annual economic loss of \$6.65B in lost earnings<sup>1</sup>, productivity, and revenue. Employers are already paying for these disruptions; tax credits allow organizations to address them more strategically and at a lower net cost.

### Key takeaway

- This toolkit is about stabilizing the workforce you already rely on—not creating a new benefit.
- You do not need to operate a child care center to take action.
- Trying Together reduces complexity by helping employers identify options and implement solutions.

## Why This Approach Works

Employers often tune out when child care is framed as an open-ended social responsibility. This approach is different: it focuses on risk reduction, reliability, and cost control—using existing federal and Pennsylvania tax credits.

### By the numbers

- Turnover and absenteeism have direct cost impacts (recruiting, training, overtime, missed production).
- Tax credits can materially reduce net costs for qualifying child care investments.
- Intermediary support reduces staff time and administrative burden.

## The Workforce Problems

Child care breakdowns most commonly show up in operations as:

- Missed shifts and unpredictable absenteeism
- Higher turnover among hourly, early-career, and hard-to-fill roles
- Increased recruiting, onboarding, and training costs
- Reduced productivity and employee engagement
- Scheduling challenges for supervisors and teams

These costs persist whether or not an employer has a formal child care strategy.

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<sup>1</sup> <https://www.strongnation.org/articles/2118-6-65-billion-the-growing-annual-cost-of-pennsylvanias-child-care-crisis#:~:text=The%20verdict:%20an%20annual%20economic,du%20to%20child%20care%20struggles.>

## Federal Tax Credit: IRC Section 45F (Employer-Provided Child Care)

Section 45F provides a federal tax credit for employers that invest in qualified child care facilities and services for employees.

**Official IRS guidance:** <https://www.irs.gov/businesses/small-businesses-self-employed/employer-provided-childcare-credit>

**IRS Form 8882 (claim form):** <https://www.irs.gov/forms-pubs/about-form-8882>

### Eligible Federal Expenses (examples)

- On-site or near-site child care facilities (building, acquiring, rehabilitating, or operating a qualified facility)
- Contracted child care slots with licensed providers (e.g., reserved capacity for employees)
- Child care referral, navigation, and placement services
- Qualified facility staffing and operating costs tied to licensed child care operations (where applicable)

### Federal Credit Value (effective for tax years starting 2026)

Credit rate	Eligible small business rate	Annual cap
40% of qualified expenses	50% of qualified expenses	\$500,000 (\$600,000 for eligible small businesses*) <i>*small businesses are defined by annual gross receipts of \$5M or less (previous 3 tax years)</i>

### What counts as qualified expenses (practical guide)

- Capital costs to establish/expand a qualified facility (consistent with licensing and safety requirements).
- Operating costs tied to child care delivery at a qualified facility (e.g., staffing, supplies, compliance).
- Administrative and referral services that support employees' access to child care.
- Documentation is essential: invoices, contracts, licensing proof, and internal approvals.

### Practical considerations

- You do not need to run child care yourself; many employers use licensed providers, contracted slots, or referral services. (This is where Trying Together can help you!)
- Work with your tax advisor early—especially when planning capital expenses or long-term contracts.

- Maintain a single documentation folder that includes contracts, receipts, provider licensing, and internal approvals.

## Pennsylvania Tax Credit: Employer Child Care Contributions

Pennsylvania offers a state tax credit for employers that directly contribute toward employees’ child care costs (paid directly to certified child care providers).

**PA Department of Revenue program page:** <https://www.pa.gov/agencies/revenue/incentives-credits-and-programs/employer-child-care-contribution-tax-credit-program>

### PA credit details

Credit	Eligible payment	Maximum eligible contribution	Maximum credit	Deadline
30% of eligible contributions	Paid directly to certified provider	\$500 per employee / year	\$150 per employee / year	Apply by January 31 (following tax year)

### Additional employee benefit (PA)

Employees may also qualify for Pennsylvania’s Child and Dependent Care Enhancement Tax Credit (based on the federal credit). Employers often share this information as part of a comprehensive benefits strategy.

**PA employee guidance:** <https://www.pa.gov/agencies/revenue/resources/tax-types-and-information/personal-income-tax/child-and-dependent-care-credit>

## Stacking Federal and State Credits

Stacking credits can yield meaningful net cost reductions. In general: 45F supports facility/services investments, while the PA employer credit supports direct contributions toward employee child care costs.

### EITC vs. 45F: key differences

- EITC supports Pre-K scholarships via approved organizations; it does not require employee-level tracking.
- 45F supports employer investments in child care services/facilities and may require more detailed expense documentation.
- Both can complement a broader workforce strategy when structured with a tax advisor.

## Educational Improvement Tax Credit: EITC for Pre-K Scholarships

Pennsylvania's Educational Improvement Tax Credit (EITC) Program allows businesses to redirect state tax liability toward approved educational organizations, including Pre-K scholarship organizations.

**EITC program page (DCED):** <https://dced.pa.gov/programs/educational-improvement-tax-credit-program-eitc/>

### EITC credit structure (highlights)

- 100% tax credit on the first \$10,000 contributed
- Up to 90% tax credit on remaining contributions (subject to program requirements, including a two-year commitment in some cases)
- Maximum annual credit: \$200,000 per business

### Why EITC matters for employers

- Does not require operating or contracting child care
- Does not require employee tracking for eligibility
- Aligns corporate giving with workforce goals and community impact
- Strengthens the future workforce by expanding access to early learning

## Trying Together as an EITC Partner

Trying Together is an approved Pre-K Scholarship Organization under Pennsylvania's EITC program. Employers can partner directly with Trying Together to fund scholarships for eligible children and support working families in Southwestern Pennsylvania.

### Partnership benefits

- A tax-advantaged way to invest in early learning.
- Visible community impact aligned with workforce priorities.
- Coordination with your tax advisors for compliance and documentation.

## Combined Credit Scenarios (Illustrative)

Always model projections with a tax advisor to reflect your workforce, tax posture, and qualified expenses.

### Scenario A: Mid-size manufacturing employer

- Pain point: absenteeism and turnover on second/third shifts due to child care breakdowns.
- Approach: contract reserved slots with a licensed provider + add referral/navigation for employees.

- Credits: use 45F for contracted services/referral; use PA employer credit for direct contributions (where used); consider EITC scholarships via Trying Together.
- Result: improved reliability and retention with reduced net cost.

### **Scenario B: Health care employer**

- Pain point: schedule instability and turnover among clinical support staff and nurses.
- Approach: near-site partnerships + navigation support; targeted contributions for critical roles.
- Credits: 45F for eligible services; PA employer credit for direct contributions; EITC to strengthen early learning access in the community.
- Result: staffing stability and reduced backfill costs.

### **Scenario C: Service-sector employer (retail/hospitality)**

- Pain point: high hourly turnover and last-minute call-offs.
- Approach: modest direct contributions to care costs + referral/navigation + communicate employee tax credits.
- Credits: PA employer credit where contributions are made; 45F for referral/navigation; EITC for scholarship support via Trying Together.
- Result: retention improvement without heavy operational lift.

## **How Trying Together Reduces Employer Friction**

Trying Together is a trusted early childhood intermediary serving Southwestern Pennsylvania. We help employers:

- Identify qualifying child care strategies aligned with workforce needs
- Connect to licensed child care programs and referral partners
- Coordinate implementation steps and documentation for tax advisors
- Align investments with measurable workforce outcomes (reliability, retention, recruitment)

Trying Together does not provide tax advice, but we work alongside employers and their advisors to support practical, compliant implementation.

## **Next Steps for Employers**

1. Identify workforce pain points tied to child care instability (turnover, absenteeism, shift coverage).
2. Engage your tax and financial advisors to confirm eligibility and model net costs.
3. Select a strategy mix (45F, PA employer credit, EITC scholarships) aligned with your goals.
4. Partner with a trusted intermediary to reduce complexity and accelerate implementation.

Contact: [info@tryingtogether.org](mailto:info@tryingtogether.org) | [www.tryingtogether.org](http://www.tryingtogether.org)

## Documentation & Compliance Checklist

### Record-keeping

- List of eligible expenses with dates and descriptions
- Contracts/invoices with providers or referral partners
- Proof of provider licensing/certification (as required)
- Employee participation records where required (limit collection to what is necessary)

### Compliance & governance

- Align programs with IRS and Pennsylvania Department of Revenue requirements
- Document decision-making, approvals, and internal controls
- Maintain a shared folder accessible to finance/tax teams
- Prepare documentation for annual filings and potential audits

## Resources and Contacts

**IRS 45F employer-provided child care credit:** <https://www.irs.gov/businesses/small-businesses-self-employed/employer-provided-childcare-credit>

**IRS Form 8882:** <https://www.irs.gov/forms-pubs/about-form-8882>

**PA Employer Child Care Contribution Tax Credit:** <https://www.pa.gov/agencies/revenue/incentives-credits-and-programs/employer-child-care-contribution-tax-credit-program>

**PA employee Child and Dependent Care Enhancement Credit:**  
<https://www.pa.gov/agencies/revenue/resources/tax-types-and-information/personal-income-tax/child-and-dependent-care-credit>

**PA EITC program (DCED):** <https://dced.pa.gov/programs/educational-improvement-tax-credit-program-eitc/>