

# Child Care As Infrastructure Employer Child Care Expanded Tax Credit

## Section 45F



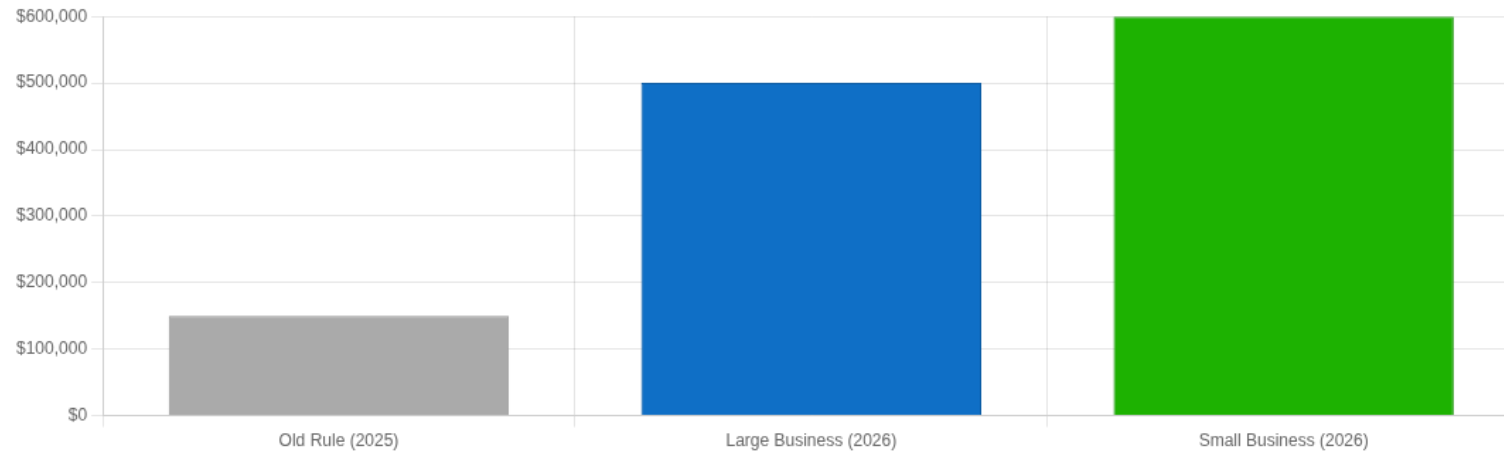
THE BEST PLACE FOR  
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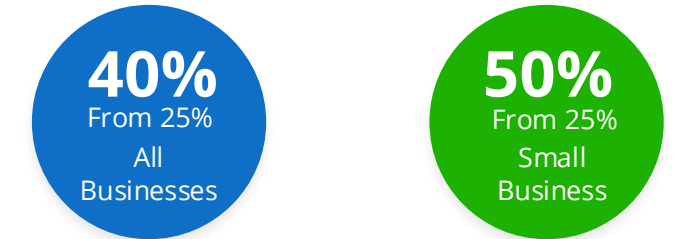
# The Big Enhancement: Impact in Numbers

3.3x-4x larger credit opportunity + NEW qualifying expenses

## Maximum 45F Tax Credit: 3.3-4x Larger



## Credit Rate Increase



- +40%** Credit rate for all businesses
- +50%** Credit rate for small businesses
- ~\$31M** Small business gross receipts threshold

Business Type	Old 45F (2026)	Enhanced 45F (2026+)	Impact
Large Business	\$150,000 max (25%)	<b>\$500,000 max (40%)</b>	+\$350,000
Small Business	\$150,000 max (25%)	<b>\$600,000 max (50%)</b>	+\$450,000



### Intermediaries

Fees to third-party platforms now qualify



### Pooling Resources

Businesses can jointly own CHILD CARE facilities



### Higher Caps

3.3-4x increase in maximum credit amounts



### Small Biz Bonus

Enhanced 50% rate for gross receipts under \$31M

# Joining 45F with DCAP

Two powerful tools to reduce taxable income and help employees manage dependent care costs

Combining DCAP with 45F is good for both the employees and employers

	Employees	Employee / Year	Total Benefit Eligible for 45F	Tax Credit	IRC Section 162	Amount Added to Employees Gross Income	Impact after DCAP	Employee Reduced Federal Taxes	Employee Reduced SS + Medicare	Employer Reduced Payroll Taxes	Employer Net Spend
<b>Small Business</b>	10	\$3,000	\$30,000	\$15,000	\$5,550	\$3,000	-	\$660	\$186	\$186	\$7,590
<b>Large Business</b>	10	\$3,000	\$30,000	\$12,000	\$6,660	\$3,000	-	\$660	\$186	\$186	\$9,480



**Small Business**  
invests \$30,000, with DCAP and 45F, net spend is \$57,209



**Large Business**  
invests \$30,000, with DCAP and 45F, net spend is \$69,209

# What Expenses Qualify for 45F?

Enhanced flexibility in qualifying facility and agency expenditures

## Child Care Facility Expenditures 40-50% Credit



### Acquiring & Constructing Facilities

Building, purchasing, or expanding property used as a qualified Child Care facility



### Contracting with Providers

Direct contracts with qualified Child Care facilities to provide services to employees



### Operating Expenses

Staff training, maintenance costs, facility supplies and equipment



### Intermediary Fees NEW

Payments to third-party platforms or organizations that connect employers with providers



### Joint Ownership NEW

Pooled resources with other businesses to jointly fund and operate Child Care facilities

## CCR&R Agency Expenditures 10% Credit\*

You don't have to own or operate a Child Care facility to claim the credit!



### Eligible Resource & Referral Services

- ✓ Child Care information services provided to employees
- ✓ Referral services connecting employees with providers
- ✓ Parent education and Child Care assistance resources
- ✓ Provider quality assessment and verification

# Real World Example: Qualcomm

Large Business Case Study: Before & After 45F Enhancement

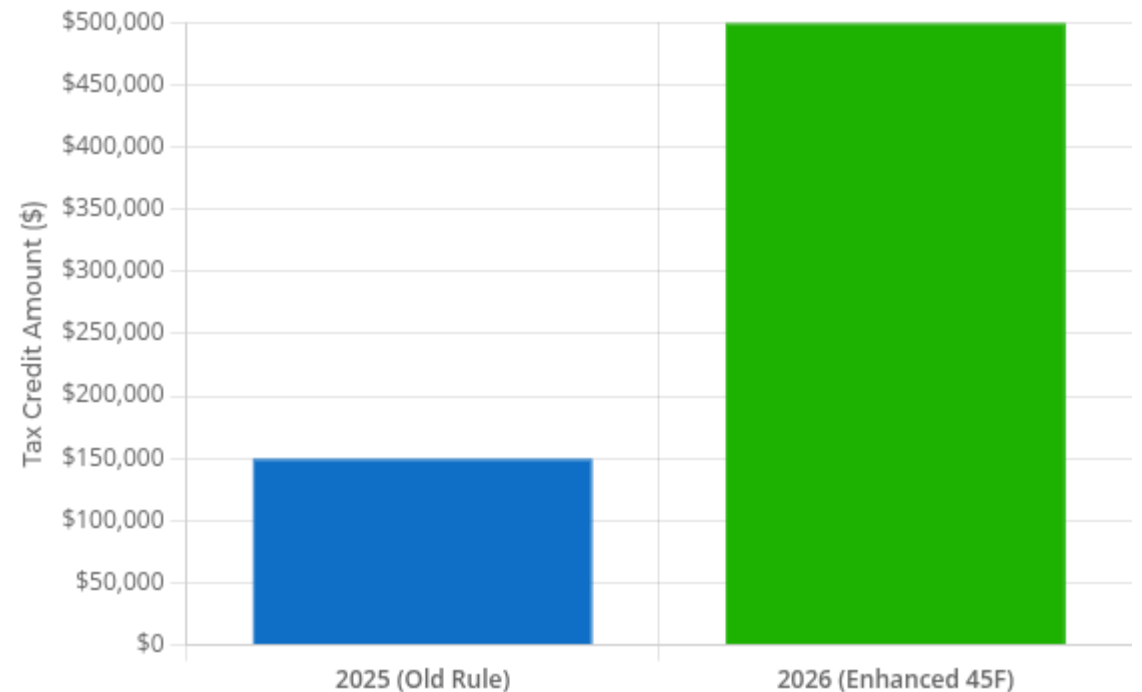
## Technology Company 10,000 employees

### Annual Child Care Investments

\$500/month Benefit (20% participants)	<b>\$12,000,000</b>
TOOTRiS Automation	<b>\$100,000</b>
CMEE Program	<b>\$120,000</b>
<b>Total Investment</b>	<b>\$12,220,000</b>

 Annual Tax Savings  
**\$500,000**

### Tax Credit Comparison: 2025 vs 2026



*Same \$2.15M investment yields \$350,000 additional tax benefit under enhanced 45F*

# Real World Example: Small Business Coalition

How Small Businesses Leverage 45F by Pooling Resources

## How the Small Business Coalition Works



**Restaurant**  
(30 employees)



**Agriculture**  
(15 employees)



**Hotel**  
(35 employees)



**TOOTRiS**

### Form Consortium

Small businesses sign joint agreement with intermediary to enable use of all available child care for employees' children.

### Partner Organization

Automation enabling  
Child Care services to local businesses



### Contribute Resources

Each business contributes proportionally.

### Financial Contribution

**\$30,000**

Per business contribution  
\$30,000 for Child Care



### Claim Enhanced 50% Credit

Each small business claims 50% credit rate on their federal taxes.

### Enhanced 45F Tax Credit

**\$15,000**

Each business claims 50% credit rate on their federal taxes (\$15,000), providing \$30,000 in value for half the cost.

# Duo-Share: Shared Responsibility, Shared Gains

A proven model where employers and employees share the cost – everyone wins





A balanced approach that maximizes benefits while minimizing costs

EMPLOYER PAYS

## Flexible Stipend Benefit

Eligible for 45F tax credit (40-50% recovery)

### Employer Benefits





-  Offers high-value, flexible benefit with reduced overall investment
-  Recovers 40-50% through 45F tax credit
-  Zero HR administrative burden (platform handles)
-  Increased workforce retention and recruiting

EMPLOYEE PAYS




## Less for Child Care

Via stipend support and DCAP/DCFSA (Pre-tax savings)

### Employee Benefits

-  Greater affordability and access to quality care
-  Access during non-standard hours (nights, weekends)
-  Real-time provider network and booking
-  Helps working families stay engaged in workforce

### Platform/Intermediary Provides:

-  Real-time provider access & compliance
-  Automated reporting & fund distribution
-  Verification & documentation management

# DCAP vs DCFSA: Understanding the Difference

Two powerful tools to reduce taxable income and help employees manage dependent care costs

	DCFSA Dependent Care FSA	DCAP Dependent Care Assistance Plan
<b>Definition</b>	Employee-funded pre-tax account	<b>Broader employer-sponsored program</b>
<b>Funding Source</b>	100% employee pre-tax contributions	<b>Employer, employee, or both</b>
<b>Annual Limits</b>	\$7,500 per household (\$3,750 married filing separately)	<b>Same IRS limits apply</b>
<b>Employer Contribution</b>	None (employer only administers)	<b>Employer CAN contribute directly</b>
<b>Employee Experience</b>	Pay out-of-pocket first, then request reimbursement	<b>Can receive direct financial assistance (no waiting for reimbursement)</b>
<b>Best For...</b>	Cost-conscious employers	<b>Employers wanting to provide high-value family benefits</b>

**DCAP is cheaper for the employer and richer for the employee**

# Frequently Asked Questions

## Key information on implementing Child Care tax benefits

### When does the enhanced 45F take effect?

**January 1, 2026** (pending final IRS guidance). Companies should begin planning now to maximize benefits when the program launches.

### Who qualifies for 45F?

Any employer with qualified Child Care expenses. Small businesses (gross receipts <\$31M) receive an enhanced **50% credit rate** versus 40% for larger businesses.

### Do I need to own a Child Care facility?

**No!** You can contract with providers, use intermediaries, or pool resources with other businesses. The new rules specifically expand eligibility beyond facility owners.

### What are intermediaries?

Organizations that connect employers with Child Care providers - platforms, CCR&Rs, community groups. Their fees **NOW qualify** for 45F, simplifying implementation.

### How do I apply for the credit?

File **IRS Form 8882** with your tax return, including supporting documentation (contracts, invoices, proof of licensing). Consult a tax professional for details.

### Can I combine 45F with DCAP/DCFSA?

**Yes!** 45F covers employer expenses while DCAP/DCFSA provides employee tax benefits. They complement each other for maximum impact and savings.

### Can I stack federal and state credits?

**Yes!** 30+ states offer additional employer Child Care tax incentives. Strategic tax planning with both federal and state credits can amplify financial ROI significantly.

### What if I'm a small business with limited resources?

Consider **consortium models** - pooling resources with other small businesses to access the enhanced 50% credit rate while sharing costs and implementation.

*Legal Disclaimer: This presentation does not provide tax advice. Please consult with your tax professional regarding eligibility and requirements.*

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