

CO-SPONSORSHIP MEMORANDUM

To: All Legislators

From: Senator Marklein

Representative Hurd

Date: May 12, 2025

Re: Co-sponsorship of LRB 2366 & LRB 3169 relating to: making certain child care expenditures eligible for the business development tax credit

Deadline: Wednesday, May 21 @ 5pm

This legislation makes various changes to the child care portion of the WEDC Business Development Tax Credit (BTC) to encourage more businesses to invest in child care in their communities. These changes will increase the number of available child care slots and provide more options for families.

Under current law, a business may receive a BTC for up to 15% of the business's investment in establishing an employee child care program for employees, but only for capital expenses.

Unfortunately, we have heard that the current program parameters limit the incentive for businesses to invest in child care programs. While many businesses may want to provide child care as a benefit to employees, the current credit limitations reduce the incentive for this investment.

To address this concern, this legislation makes several changes to the child care portion of the BTC to increase the incentive for businesses to invest in child care programs.

This legislation broadens the list of eligible activities that are allowable under the credit.

Under LRB 2366/LRB 3169, all the following costs are eligible:

- Capital expenditures made to establish a child care program for employees
- Expenditures for child care program operations
- Expenditures to reimburse employees for child care expenses
- Expenditures to purchase or reserve child care slots on behalf of employees
- Contributions made by the employer to an employee's dependent care FSA
- "Any other cost or expense incurred due to a benefit provided by an employer to facilitate the provision or utilization by employees of child care services"

This legislation also allows non-profit entities to be certified by WEDC as an eligible entity for the child care portion of the credit only.

While not a silver bullet, these changes are another step in the right direction to address the child care issue in Wisconsin.

To cosponsor LRB 2366 and LRB 3169 please contact Sen. Marklein's office (6-0703) or Rep. Hurd's office (9169). Cosponsors will automatically be signed onto both versions of the bill unless otherwise specified.

Analysis by the Legislative Reference Bureau

Under current law, a business may receive a refundable business development tax credit for an amount equal to up to 15 percent of the business's investment in establishing an employee child care program for employees. Such investments may include only capital expenditures made by the person. Because the credit is refundable, if the credit exceeds the claimant's tax liability, the claimant will receive the difference as a refund check.

Under this bill, a business may receive a credit for an amount of up to 15 percent of the business's costs incurred to provide child care services for employees. "Costs incurred to provide child care services for employees" includes capital expenditures made to establish a child care program for employees, expenditures for the operation of a child care program for employees, expenditures to reimburse employees for child care expenses, expenditures to purchase or reserve child care slots on behalf of employees, contributions made by an employer to an employee's dependent care flexible spending account, and any other cost or expense incurred due to a benefit provided by an employer to facilitate the provision or utilization by employees of child care services.

The bill also provides that the Wisconsin Economic Development Corporation may certify a nonprofit entity described under section 501 (c) (3) of the Internal Revenue Code for the business development tax credit for expenditures on providing child care services to employees.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.