

# Tax Incentives Related To Child Care

Senate Committee on Finance & Revenue

4/2/2025

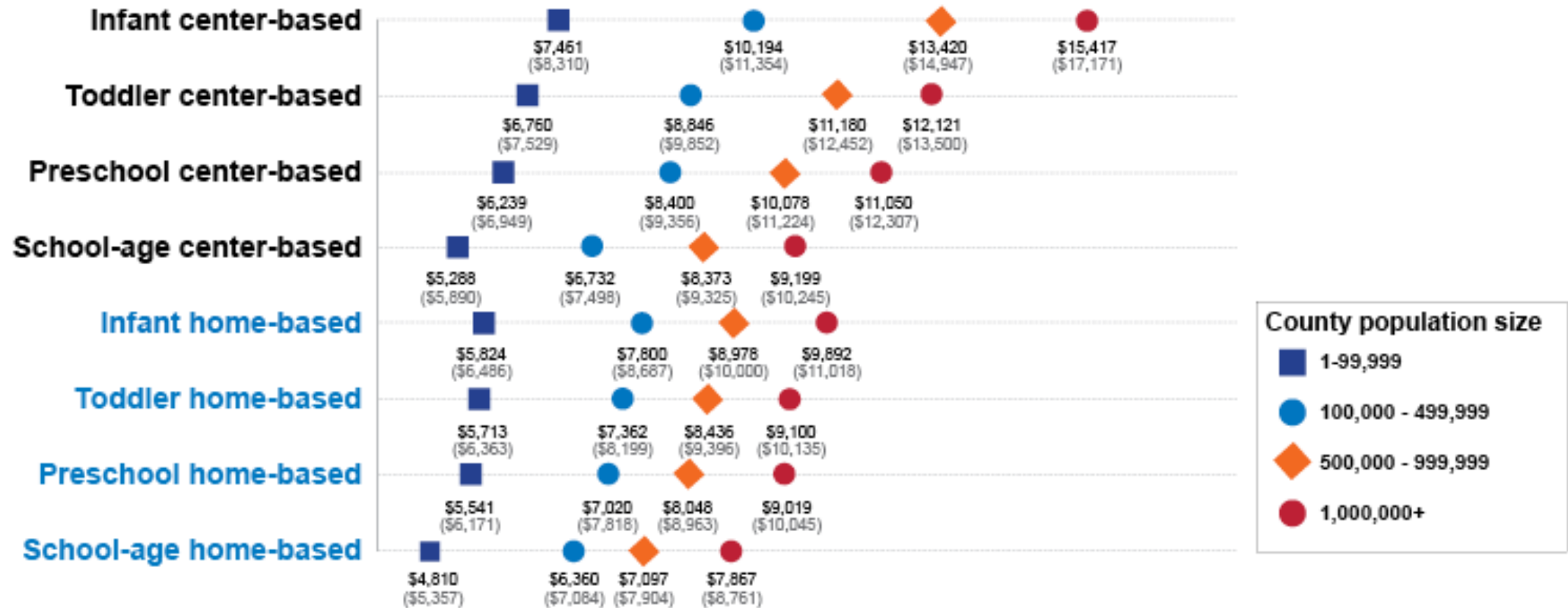


# Overview of Presentation

- Price of child care
- Tax incentives related to child care
  - Property tax
  - Income tax
- Direct expenditure programs

# Price of Child Care

## MEDIAN ANNUAL PRICE OF CHILD CARE FOR ONE CHILD



Source: National Database of Childcare Prices 2018 (U.S. Department of Labor Women's Bureau) and American Community Survey 2014-2018 (U.S. Census Bureau)

Note: Childcare prices are presented in 2018 and 2022 real dollars. Estimates for 2022 are in parentheses.

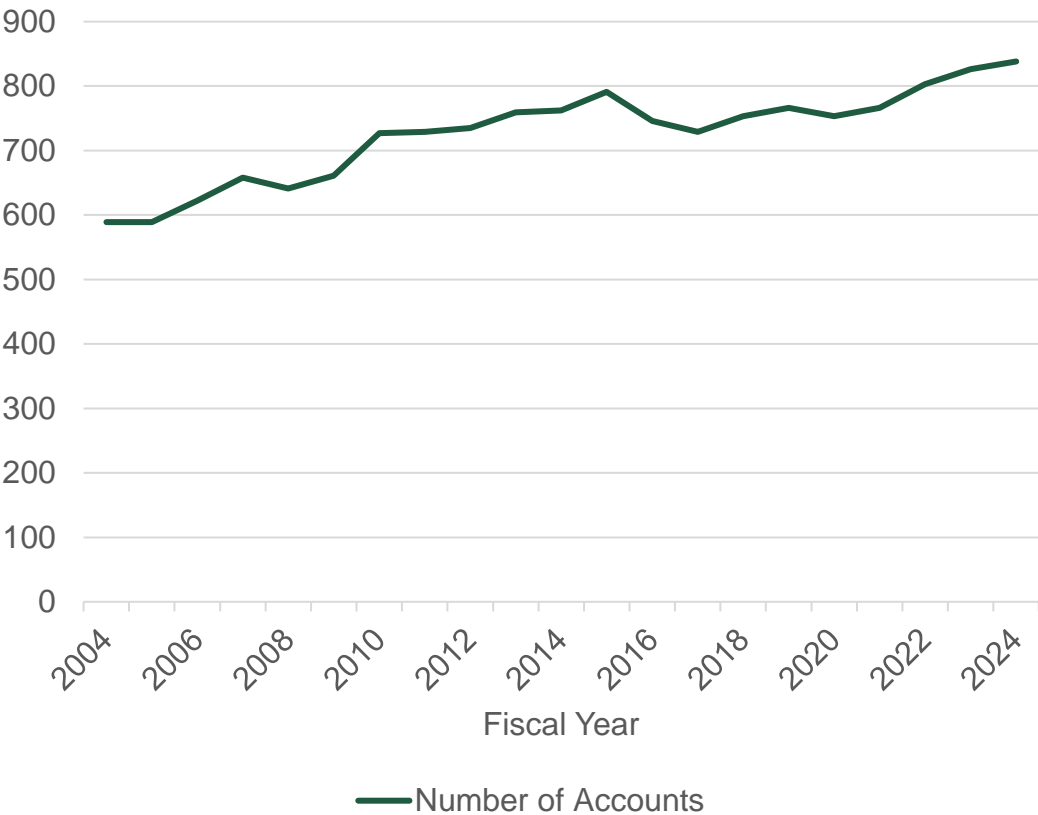
# Property Tax Exemptions

TER Number	Name	Type	Property	Eligibility Require.	Accounts (2023-24)	2023-25 (\$M)	2025-27 (\$M)
2.001	Academies, Day Care, and Student Housing	Full exemption	Real	<ul style="list-style-type: none"> <li>Owned by charitable or religious organization</li> <li>Used for educational purposes</li> <li>Child care facilities must comply with Office of Child Care</li> </ul>	840 school and day care accounts in 19 counties	\$78.8	\$85.5
2.009	Agricultural Housing and Day Care Facilities	Full exemption	Real	<ul style="list-style-type: none"> <li>Owned or operated by a nonprofit corporation</li> <li>Occupied by active, retired, or disabled agricultural workers and their families</li> <li>Comply with applicable building codes and health and safety standards</li> <li>Child care facilities must comply with Office of Child Care</li> </ul>	22 accounts in six counties	\$0.8	\$0.9

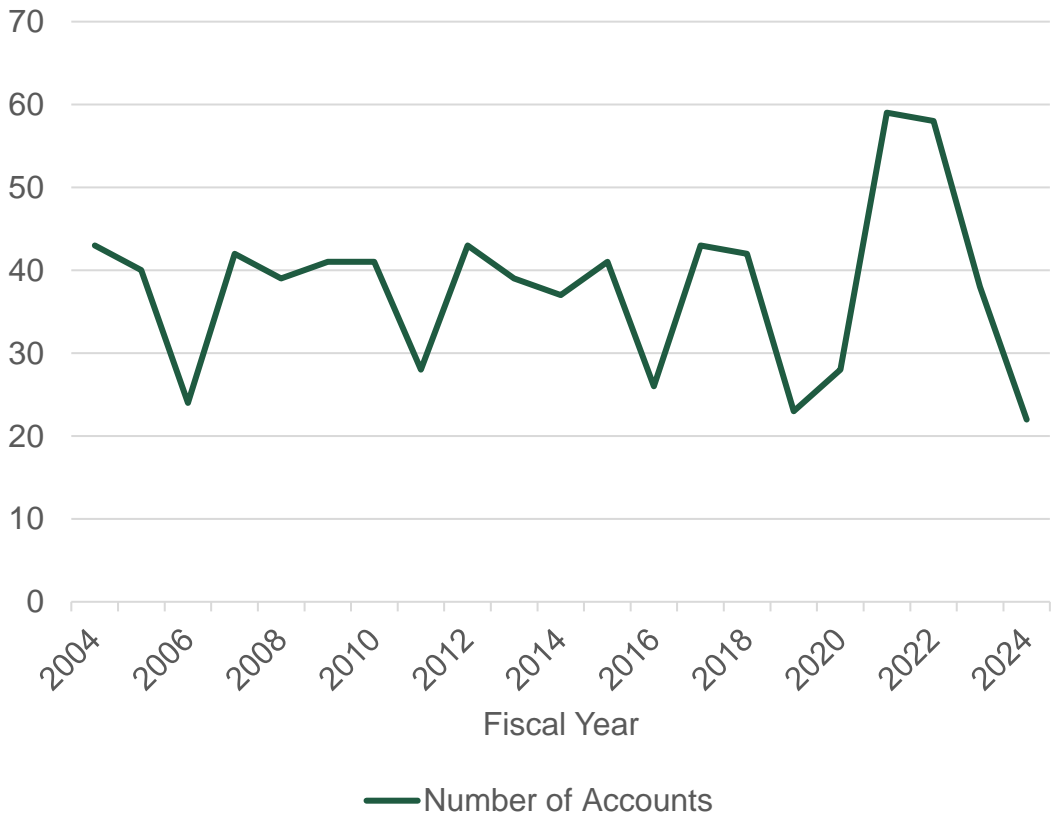
- Both target service providers
- Neither have a sunset date

# Number of Exempt Accounts

## Academies, Day Care, and Student Housing



## Agricultural Housing and Day Care Facilities



# Child Care Related Income Tax Incentives

- Federal provisions
  - Child and dependent care tax credit
  - Exclusion of employer-sponsored child and dependent care/dependent care flexible spending accounts (FSA)
  - Employer-provided dependent care tax credit (employer credit)
  - Tangentially connected: federal earned income tax credit (EITC), federal child tax credit
- Oregon specific state tax provisions
  - Working family household and dependent care credit (WFHDC)
  - Tangentially connected: OR EITC, OR child tax credit

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# Child and Dependent Care Tax Credit: 2 Credits

- Federal child and dependent care credit
- Oregon's working family household and dependent care credit
- While different, credits work in somewhat similar ways and Oregon's credit references federal definitions

$$\text{Credit} = \% * \text{Qualified Expenses of Care for a Qualifying Individual}$$



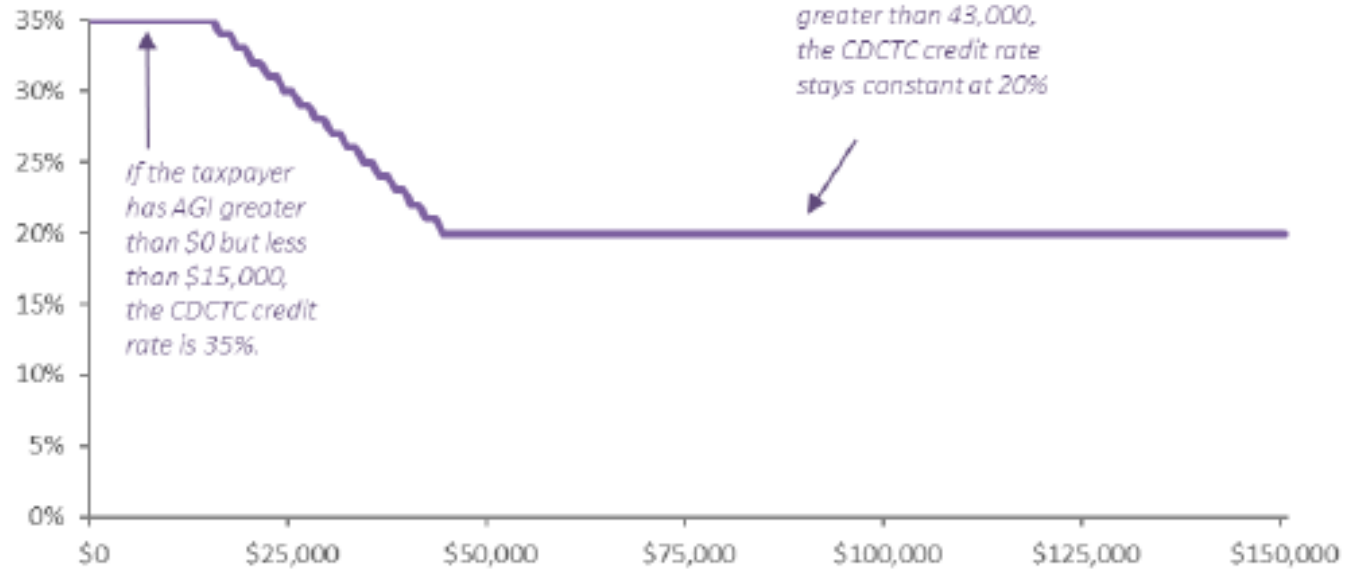
# Federal Credit

- Credit is non-refundable
- Income levels are not adjusted to inflation
- Qualifying expenses
  - Paid by taxpayer for care of qualifying individual for taxpayer to work or look for work
- Max qualifying expenses:
  - \$3,000 (1 qualf. individual)
  - \$6,000 (2 or more qualf. individuals)
- Qualifying individual
  - Dependent child under the age of 13
  - Disabled spouse or dependent who isn't physically or mentally able to care for themselves

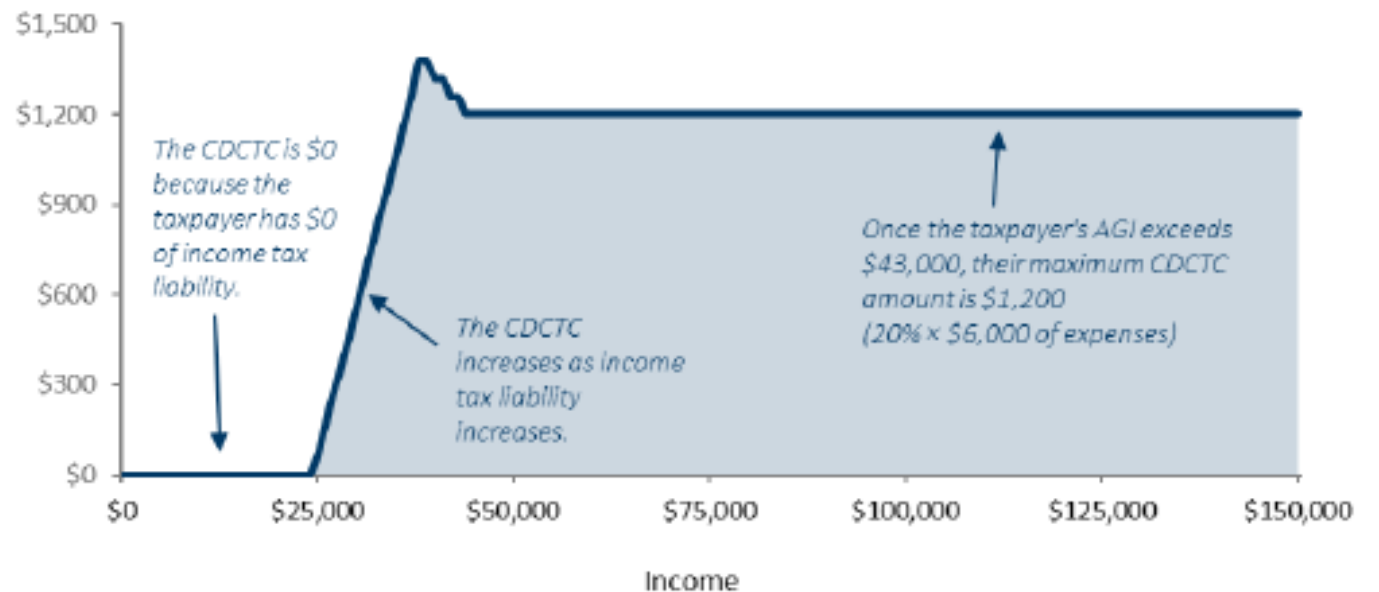
Source: CRS, 2021

## Married couple with two qualifying children and \$6,000 of qualifying expenses

### Credit Rate

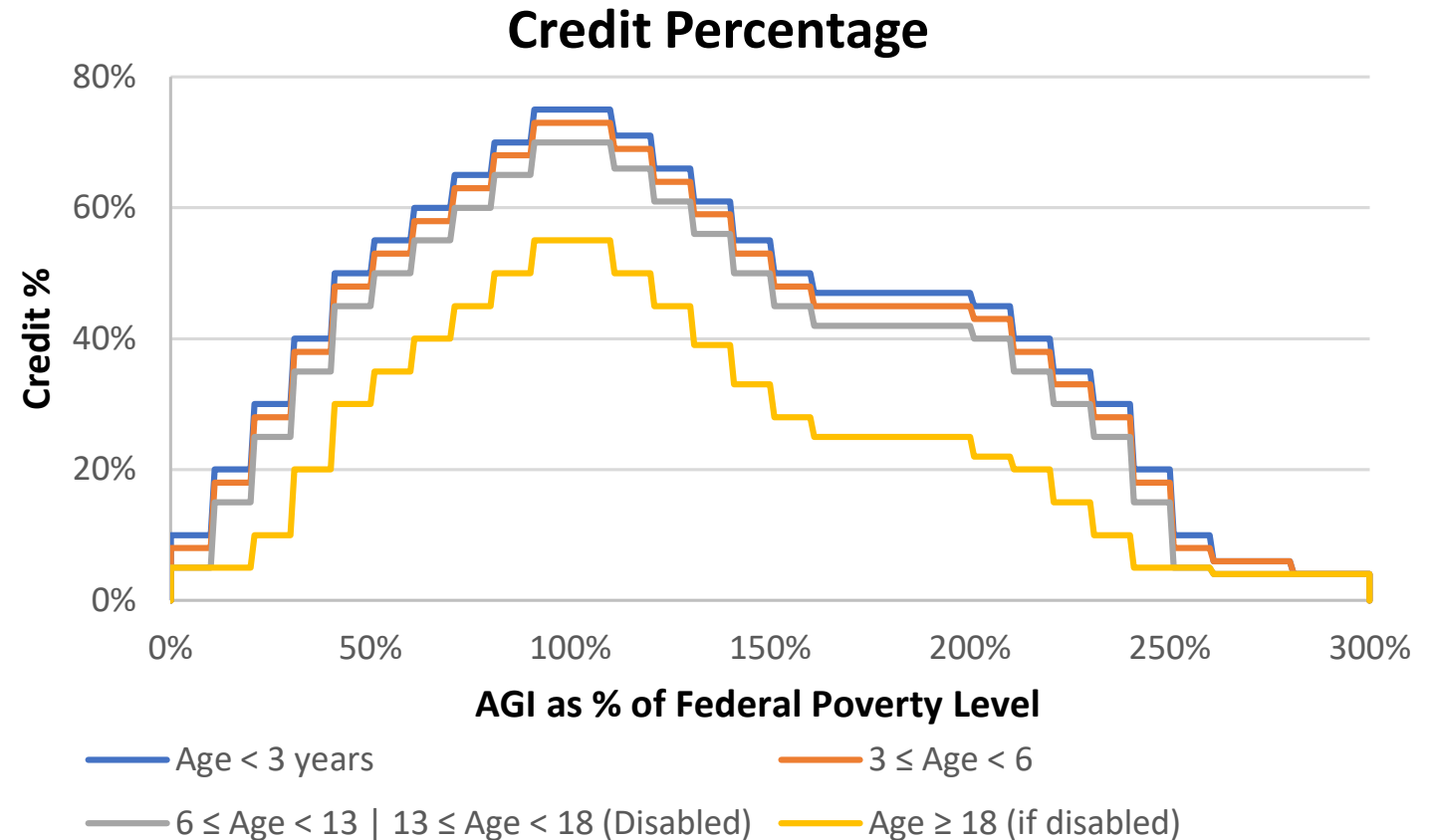


### Credit Amount



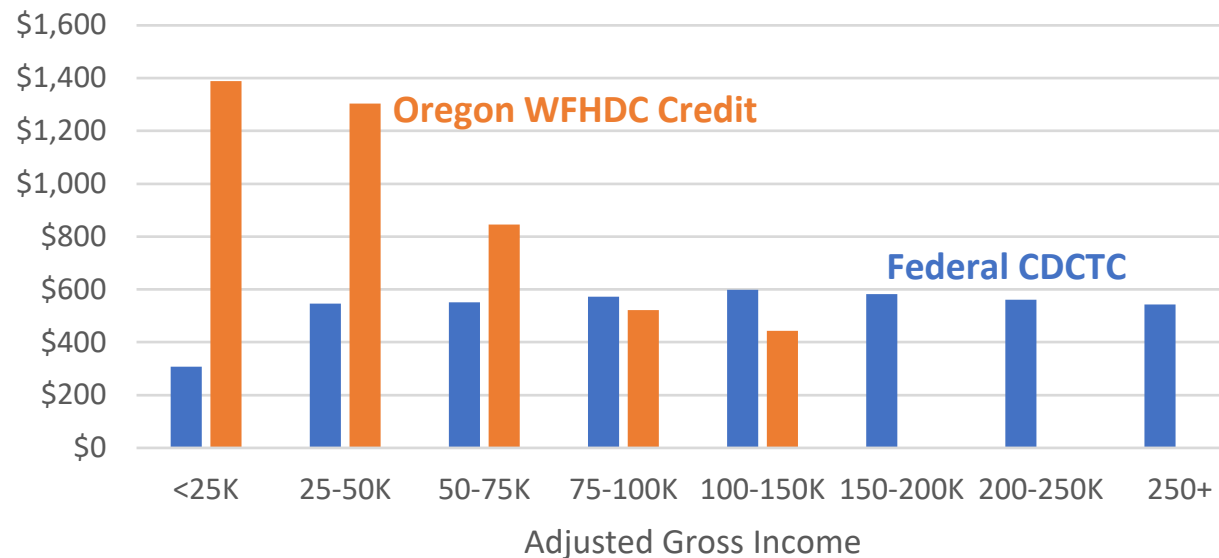
# Oregon's Credit

- Credit is refundable
- Max qualifying expenses:
  - \$12,000 (1 qualified individual)
  - \$24,000 (2 or more qual. indiv.)
- Income limits based on AGI as % of Federal Poverty Level (implicitly adjusts to inflation)

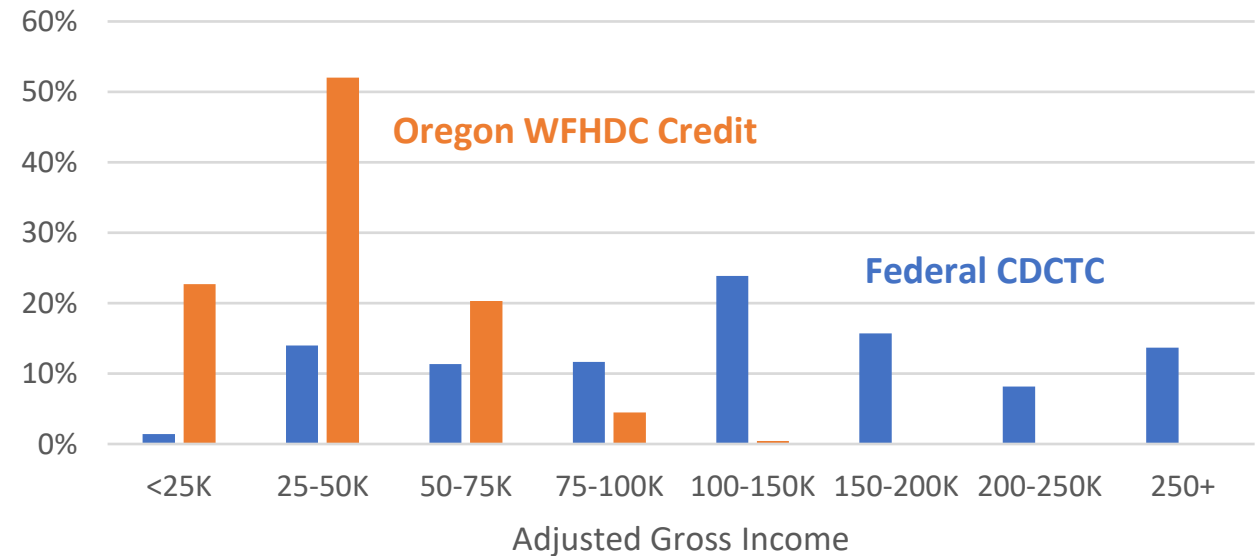


# Child and Dependent Care Tax Credit: 2 Credits

Average Child & Dependent Care Credits  
TY 2022



Pct. Share of Child & Dependent Care Credits  
TY 2022



Total Credits Claimed (TY 2022, Full-Year Resident Filers)

- Federal credit: \$30.4M
- Oregon credit: \$16.6M

(Source: DOR TY 2022 PIT Publication)

# Income Tax – Other Child Care Related Tax Incentives

Tax Expenditure	Description
Employer Provided Dependent Care Exclusion	<ul style="list-style-type: none"><li>• Employer payments for dependent care through a dependent care assistance program are excluded from personal taxable income</li><li>• Dependent care flexible spending accounts</li><li>• Maximum exclusion is \$5,000</li></ul>
Employer-Provided Dependent Care Federal Tax Credit	<ul style="list-style-type: none"><li>• Employers allowed credit= 25% of qualified expenses for employee child care, 10% for child care resource and referral services</li><li>• Qualified expenses include costs of operating, acquiring, constructing, or rehabilitating the facility, or contracting with a qualified child care facility to provide the child care</li><li>• Credit has been infrequently used by employers.</li></ul>

# Direct Expenditure Programs

- Child care related programs funded by state/federal/other funding sources
  - Employment Related Daycare (ERDC)
  - Oregon Head Start & Early Head Start
  - Preschool Promise
  - Baby Promise