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State Policies to Promote Employer-Supported Child Care

Across the country, a lack of affordable and accessible child care has real, pervasive, and negative consequences for the wellbeing of families and the economy. In many states, child care costs exceed mortgage payments, rent, and college tuition.[1] Research suggests that these excessive costs can lead many parents to limit their participation in the workforce, resulting in negative repercussions for families and the economy.[2]

Though increased public investment is needed to fully address the child care crisis, several state leaders are exploring partnerships with employers as an avenue for lowering child care costs for families and increasing child care supply. These state policies seek to bring together business leaders' interest in the health of the workforce and the economy with families' need for more affordable and accessible child care.

State policymakers are leveraging these shared interests by implementing a few common policies, including cost-sharing models, employer tax credits, and grant programs. This brief provides an overview of these policy options, examples of state action within each, and considerations for policy design and implementation—including the need for more research to determine the effectiveness of these approaches.

Cost-Sharing Models

Split the cost of care between employers, employees, and the state.

Employer Tax Credits

Offset the cost of employer contributions to employees' child care needs.

Grant Programs

Support public-private partnerships and child care supply expansion.

Cost-Sharing Models

In recent years, state leaders have begun exploring the use of cost-sharing models to improve the affordability of child care for families. Through a cost-share program, employers opt in to provide this benefit to their employees with the understanding that costs will be split three ways—often in thirds—between an employer, employee, and the state.

Though states design their programs somewhat differently, this approach generally reduces the funding burden for the state and reduces out-of-pocket costs for families while providing employers with an opportunity to support the child care needs of their employees. Current cost-sharing programs are funded through state general funds.

Programs are often targeted to families in certain regions and with lower incomes. In some cases, states require employers to contribute within a specific range (minimum to maximum dollar amounts) toward employees' child care expenses in order to participate, and benefits may taper as employee income levels increase.

At least four states (KY, MI, NC, ND) have active cost-sharing programs, and during the 2025 legislative session alone, eight states introduced legislation to establish these programs. Given the recency of these programs, the evidence-base to support them is limited, though an evaluation of the Michigan Tri-Share model reveals some successes and opportunities for improvement.[3]

Michigan

The Michigan Tri-Share model splits the cost of an employee's child care evenly between the employer, employee, and the state and is a first of its kind attempt at implementing a statewide cost-sharing model. Regional hubs administer the program and are responsible for billing the state and the employer and distributing funds to the provider. The program serves lower income employees who have incomes just above the income limit of the state's child care subsidy program. The state initially funded the program with approximately $1 million from the state general fund and has allocated $3.4 million annually since.

Kentucky

The Employee Child Care Assistance Partnership program is a cost-sharing system between employers, employees, and the state. Employers may choose their level of contribution, as no minimum amount is required to participate and the state does not limit the amount it will match. The state match percentage is based on the employee's household income, with benefits tapering as income increases. Employers, employees, and employees' child care providers coordinate to apply for the program. Once the application is approved by the state, employers contribute their share, and the state makes matching payments, both directly to the child care provider. The state initially funded the program with $15 million from the state general fund and now allocates $2 million annually.

North Carolina

The state is piloting the NC's Tri-Share Child Care Pilot Program in several counties, splitting the cost of care equally between employers, employees, and the state. Similar to Michigan's approach, the program is administered by regional hubs responsible for managing the flow of funds between employers, the state, and child care providers. The program serves families with household incomes between 185 percent and 300 percent of the federal poverty level and is currently funded through October 2025. The state initially funded the pilot program with $900,000 per year from the general fund for 2 years.

North Dakota

The Working Parents Child Care Relief Program pilot offers matching funds when employers provide employees with a child care stipend at either the $150/month or $300/month level. Employers must opt-in for their employees to receive the state match and the employee must apply to participate. Employers then verify and upload documentation of their stipend and the state sends matching funds directly to the eligible parent. To be eligible, employees must have incomes at or below 150 percent of the state median income and must have a child age birth to 5. The pilot is currently set to run through September 2026. The state initially funded the program with $5 million for 2 years from the state general fund and now allocates only $2.2 million for 2 years.

Tax Credits

Employer tax credits for child care related expenses are one of the most common state approaches for promoting employer involvement in child care. These credits currently exist in at least 26 states[4] and at least 16 states proposed legislation to create these credits during the 2025 session.

Employers may be eligible for tax credits for several activities, including improving, expanding, or building child care programs or subsidizing employee child care costs. These tax credits allow for a high degree of flexibility in policy design and may incentivize employers to increase the supply of child care slots for their employees and the community more broadly.

The federal government offers an Employer-Provided Child Care Credit (45F)[5] to help cover costs associated with several child care related activities, including: purchasing, building, or updating child care facilities or for supporting operating costs through child care workforce training, scholarships, and wages. Employers engaging in these activities may claim a nonrefundable credit of up to $500,000 per year for large businesses and $600,000 for small businesses, indexed to inflation.

Alabama

In 2024, legislators enacted H.B. 358 which established a nonrefundable employer tax credit for several purposes, including the construction, renovation, expansion, or repair of a child care facility; payments made to cover the cost of child care for employees; or payments made to reserve child care slots for employees. The tax credit is equal to 75 percent of eligible expenses for businesses with 25 or more employees, and 100 percent for small businesses. The credit went into effect in January 2025 and is available against the corporate income tax, financial institution excise tax, insurance premium tax, and public utilities license tax.

Florida

In 2024, legislators enacted H.B. 7073 which provides a nonrefundable tax credit to businesses that support child care for their employees, effective in fiscal year 2025. Businesses can claim up to 50 percent of the startup costs of operating a child care facility, $300 per month for each child of an employee when the employer operates a child care facility, and up to $3,600 per child per tax year when contributing directly to the cost of an employee's child care. The credit is available against the corporate income tax, severance tax on gas and oil production, insurance premium tax, direct pay sales tax, and excise tax on liquor, wine, and malt beverages.

Georgia

The tax credit for employers providing child care provides a nonrefundable income tax credit for businesses that purchase child care property. Each year, employers may claim 10 percent of the property's cost as a credit, up to a total of 100 percent over 10 years. The credit cannot exceed 50 percent of the employer's Georgia income tax liability for any given tax year.

Oregon

The child care contribution tax credit provides businesses with a nonrefundable tax credit for contributions made to the Department of Early Learning and Care for child care initiatives. The tax credit is worth 50 percent of the employer's contribution and is available against the corporate excise tax or the corporate income tax.

Grant Programs

Some states provide grant funding to directly expand the supply of child care or to help build public-private partnerships in support of child care. These grant programs can be directed to employers, non-profits, child care providers, or some combination of grantees and are sometimes targeted to high-need regions.

In many cases, states provide grant funding to employers to secure child care slots for their employees by either building new child care centers or expanding capacity at existing centers. Many states supported these grant programs initially through federal COVID-19 pandemic relief funds and some are now using state funding to continue their efforts.

Colorado

The Employer Based Child Care Grant program provided funding to employers for the construction or renovation of on-site or near-site child care facilities to serve their workforce and, in many cases, the surrounding community. The Colorado Department of Early Childhood partnered with Executives Partnering to Invest in Children (EPIC) to provide employers with the knowledge and technical assistance they needed to undertake these projects—known as the Design Lab. An evaluation report highlights the crucial role of this technical assistance, as well as several successes and lessons learned. These efforts, which took place from 2022 to 2024, were funded through state general funds and federal recovery funds.

Indiana

The Employer-Sponsored Child Care Fund provides funding for employers and non-profit organizations to create or expand employer-subsidized child care benefits and to address local child care needs. Grantees may use the funds for several purposes, including providing on-site or near-site child care, sponsoring dependent care assistance plans, offering tuition benefits, and establishing tri-share programs, among others. Awarded amounts ranged from $16,000 to $750,000 depending on employer.

Iowa

The Child Care Business Incentive Grant program supports employers that want to expand or construct child care facilities for their employees either on-site or in partnership with a local provider. Priority for these grants is given to employers in high demand areas. The most recent round of grants were announced in January 2025, and awardees are estimated to create nearly 875 new slots across the state.

Tennessee

The Non-Profit/Employer Workforce (NEW) Care Partnership grant pilot funds partnerships between non-profit child care providers and employers with the goal of expanding child care slots for employees. Grants may be used to construct or renovate on-site employer child care facilities, or to expand child care capacity within existing facilities.

Payroll Contributions

Some states have started to explore using **payroll contributions**—a small wage deduction from employees, employers, or both—to ultimately provide more public funding for child care. In 2023, Vermont became the first to enact a 0.44 percent payroll contribution of employees' wages, with at least 0.33 percent covered by the employer and no more than 0.11 percent by employees. Collected funds—forecasted at $80 million annually—are deposited into Vermont's Child Care Contribution Special Fund to be used towards the state's child care subsidy program. The increased investment has allowed Vermont to substantially increase reimbursement rates for child care providers, expand family income eligibility, and reduce family copayments. In 2025, legislators in Connecticut, Nebraska, New York, and Texas introduced legislation to increase funding for child care through payroll contributions.

Considerations for Policy Design

As state leaders continue to pursue policies to involve the business community in child care issues, there are some opportunities, challenges, and policy design options to consider:

Program Evaluation

Limited evidence exists on how best to involve employers in child care solutions—and state leaders have an opportunity to build the evidence-base by requiring the rigorous evaluation of programs. By doing so, it is possible to identify which specific policy design elements lead to the most ideal outcomes for families, employers, and the overall economy.

Employer Participation

The success of many of these optional programs hinges on active employer participation. State leaders should consider the generosity of their programs and make adequate investments in outreach and technical assistance to ensure employers are willing and able to enter the child care space. Building strong public-private partnerships can lead to greater employer participation in these programs and could also lead business leaders to engage in more child care advocacy.

Sustainable Funding

Many programs, including grants and tri-share programs, have been funded on a temporary basis, either as pilot programs or through federal relief funds. Participation in these programs among employers may be more likely if state leaders are able to secure longer-term, more sustainable funding.

Consistent Child Care

Research shows that continuous care in a stable, nurturing environment is key to healthy development in the early years of life.[6] Tying benefits directly to employment may force families to change caregiving arrangements more regularly as job changes occur, leading to less continuity of care for children. State leaders may consider policy options that ensure some degree of continuity for families in the event of job loss.

System-Wide Benefits

Many employer-focused child care initiatives aim to ease costs for working families, particularly those employed at participating businesses, but the level of support they provide can be modest relative to the need. As states design and implement these programs, it is important to consider whether the benefits meaningfully reduce child care costs for families and advance broader access and affordability goals. Employer-focused initiatives generally serve a limited portion of families, highlighting the need for complementary approaches to support all families.

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