

Employer-Provided Child Care Tax Credit (45F)

A Practical Decision Guide
for Employers



Created by FamTech.org's Policy Strategy Committee, to help employers and their partners move from policy to implementation.

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Why This Credit Matters Now



The Employer-Provided Child Care Credit (45F) has existed for years, but complexity and misconceptions limited how widely it was used.

Recent updates changed how employers can qualify, including through partnerships, consortia, and intermediary models. For many employers, this significantly expands what's possible.

This credit will not apply to every employer. That's expected, and okay.

The purpose of this guide is to help you figure that out quickly. If the credit is a fit, this guide helps you understand how to proceed. If it isn't, you'll know early and can focus on other options.

Decision Tree: Are You Eligible for the 45F Credit?

How This Decision Guide Works

1. Confirm employer eligibility



2. Determine how child care benefits will be delivered



3. Confirm child care provider eligibility



4. If eligible, estimate credit value & make a data tracking plan

You may exit at any point—that's expected.



Step 1: Employer Eligibility

Evaluate your particular circumstances to determine preliminary eligibility:

1.1

Entity Type

Are you a **for-profit entity** (C-Corp, S-Corp, Partnership, LLC, or Sole Proprietor)?

Yes: Continue

No: Nonprofits, government, and tribal entities are not eligible, because the credit offsets federal income tax liability only.

1.2

Federal Income Tax Liability

Did you have federal income tax liability in the prior tax year? (see Form 1120, 1120S, 1065, or Schedule C).

Yes: continue

No: credit cannot be claimed

Note: the credit is non-refundable but may carry forward.



Step 2: How Will Child Care Benefits Be Delivered?

Employers may support child care in multiple ways under 45F. You do not need to build your own on-site child care facility. Each solution has a different credit amount.

A. Qualified Facility Expenditures (40-50% credit):

- **Facilities** - construction, acquisition, expansion, or renovation
- **Operating costs** - compensation, insurance, food, cleaning, maintenance, etc.
- **Childcare operators** - payments to licensed third-party childcare providers (★ new for 2026)
- **Consortia** - jointly owned facilities, pooled with other businesses (★ new for 2026)

B. Qualified Resource & Referral Expenditures (10% credit)

- Fees paid to help employees find care

Tip: may be paid to nonprofit agencies, concierge services, and technology platforms

C. Ineligible or uncertain (to be clarified in rulemaking)

-  **Intermediaries** - payments to an entity that contracts with one or more licensed childcare facilities (new for 2026, details needed in rulemaking)
-  **Back up care**
-  **After school programs**
-  **Dependent care stipends or flexible reimbursement accounts** (e.g. DCAPs, DCFASs)

For the latest status on rulemaking, please email policy@famtech.org



Step 3: Child Care Provider Eligibility

To qualify, child care expenditures must:

✔ Involve licensed child care providers that comply with applicable state and local licensing rules

✘ Not eligible: informal or license exempt care (e.g. relatives), babysitters in child's home

Step 4: Outcomes

Depending on your eligibility, here are some next steps:

A.

✔ Likely Eligible

Next steps:

- Confirm with your CPA or tax advisor
- Identify provider or intermediary partners
- Estimate credit value & prepare documentation

B.

✘ Not Eligible (Today)

Common reasons include lack of tax liability, ineligible care arrangements, or non-qualifying expenditures.

Next steps:

- Consider alternative child care benefits
- Re-evaluate if business or tax circumstances change

C.

? Unclear / Gray Area

Eligibility depends on structure, allocation, or interpretation.

Next steps:

- Work with tax, legal, and child care advisors
- Clarify delivery model and documentation approach



Step 5: If Eligible, Estimate Credit Value & Make a Data Tracking Plan

Credit Value

Consider these parameters:

- 40% of qualified child care expenditures
- 10% of resource & referral services
- **Annual cap: \$500,000** (will be adjusted for inflation)
- Small businesses enhancements: \$600,000 annual cap, 50% of qualified child care expenditures (Eligible for gross receipts < ~\$31M)

Data Tracking

Work internally and with relevant partners to collect:

- Description of how the support aligns with IRS definitions of 'qualified child care facility' or 'resource and referral service'
- Invoices
- Licensing documentation
- Evidence of service delivery tied to employee use

Resources

- For future rule updates: [IRS - Employer Provided Childcare Credit \(irs.gov/businesses/small-businesses-self-employed/employer-provided-childcare-credit\)](https://www.irs.gov/businesses/small-businesses-self-employed/employer-provided-childcare-credit)
- Real business examples: [EPIC - Employer Child Care Navigator \(employerchildcarenavigator.org\)](https://www.employerchildcarenavigator.org)

Connecting the Care Economy



About FamTech.org

FamTech.org is the nation's only tech hub for the Care Economy, fueling scalable solutions for families, caregivers, and the future of work.

Disclaimer

The Treasury is expected to issue additional guidance clarifying intermediary roles, qualified expenses, and documentation expectations.

This guide is for informational purposes only and does not constitute tax, legal, or accounting advice. Employers should consult their professional advisors before filing. Guidance reflects publicly available information as of January 2026.

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