
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Employer Child Care

The Employer Child Care (ECC) Tax Credit is available to taxpayers who qualify for the federal Employer-Provided Child Care Tax Credit. The ECC Tax Credit is equal to the amount of the federal Child Care Tax Credit. No more than \$2.0 million of ECC Tax Credits are authorized each year.

The federal Employer-Provided Child Care Tax Credit offers employers a tax credit of up to \$150,000 per year to offset 25.0% of qualified child care facility expenditures and 10.0% of qualified child care resource and referral expenditures. Qualified child care expenditures include the following:

- Costs associated with acquiring, constructing, rehabilitating, or expanding property used as a taxpayer's qualified child care facility.
- Operating expenses made by the taxpayer's qualified child care facility, including amounts paid to support child care workers through training, scholarship programs, and providing increased compensation to employees with higher levels of child care training.
- Payments incurred under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

Tax Credit Background

- Enabling Legislation: 2022 Iowa Acts, chapter [1148](#) (FY 2023 Economic Development Appropriations Act)
- Iowa Code Citations:
 - Section [237A.31](#) — Program Description
 - Section [422.120](#) — Individual Income Tax
 - Section [422.33\(32\)](#) — Corporate Income Tax
 - Section [422.60\(15\)](#) — Franchise Tax
 - Section [432.120](#) — Insurance Premium Tax
 - Section [533.329\(2\)\(m\)](#) — Moneys and Credit Tax
- Administrative State Agencies: Iowa Economic Development Authority (IEDA), Iowa Department of Revenue (IDR)
- Sunset Date: None
- Transferable: No
- Refundable: No
- Carryforward: Any credit in excess of the tax liability may be carried forward for up to five years
- Tax Review Committee Review Year: None

Legislative History

The ECC Tax Credit became effective January 1, 2023, with an authorized maximum award amount of \$2.0 million annually.

More Information

Department of Revenue Contingent Liabilities Report: revenue.iowa.gov/media/4020/download?inline

Department of Revenue Tax Credit Users' Manual: revenue.iowa.gov/media/3380/download?inline

Legislative Services Agency Individual Income Tax Guide:

legis.iowa.gov/docs/publications/LG/711304.pdf

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Tax Credit Review, Usage, and Future Liability

The IDR reports on the annual credit usage for the ECC Tax Credit in its periodic Contingent Liabilities Report. Based on Table 8 of the report, the following figures provide credit redemption history and projections for the ECC Tax Credit on a fiscal year basis. Through the end of FY 2024, no tax credits have been redeemed. The red bars of **Figure 2** are the IDR projections of future redemptions.

Figure 1 — Employer Tax Credit History
*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2010	\$ 0	FY 2020	\$ 0
FY 2011	0	FY 2021	0
FY 2012	0	FY 2022	0
FY 2013	0	FY 2023	0
FY 2014	0	FY 2024	0
FY 2015	0	FY 2025*	740,000
FY 2016	0	FY 2026*	800,000
FY 2017	0	FY 2027*	800,000
FY 2018	0	FY 2028*	800,000
FY 2019	0	FY 2029*	800,000

