Legislative Services Agency
State Capitol, 1007 E. Grand Avenue, Des Moines, Iowa 50319, 515.281.3566
Fiscal Services Division

Fiscal Topic

Tax Credit: Employer Child Care

November 10, 2026

Purpose

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 credit in the same tax year attributable to expenditures made in this State. 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 $500,000 per year to offset 40.0% 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 422.12O — Individual Income Tax
  - Section 422.33(32) — Corporate Income Tax
  - Section 422.60(15) — Franchise Tax
  - Section 432.12O — Insurance Premium Tax
  - Section 533.329(2)(l) — Moneys and Credits Tax
- Administrative State Agencies: Iowa Economic Development Authority (IEDA), Iowa Department of Revenue (IDR)
- Sunset Date: January 1, 2026
- 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. Beginning January 1, 2026, the ECC Tax Credit is no longer eligible to be awarded. The ECC is repealed effective January 1, 2031.

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 2026, no tax credits have been redeemed. The red bars of **Figure 2** are the IDR projections of future redemptions.

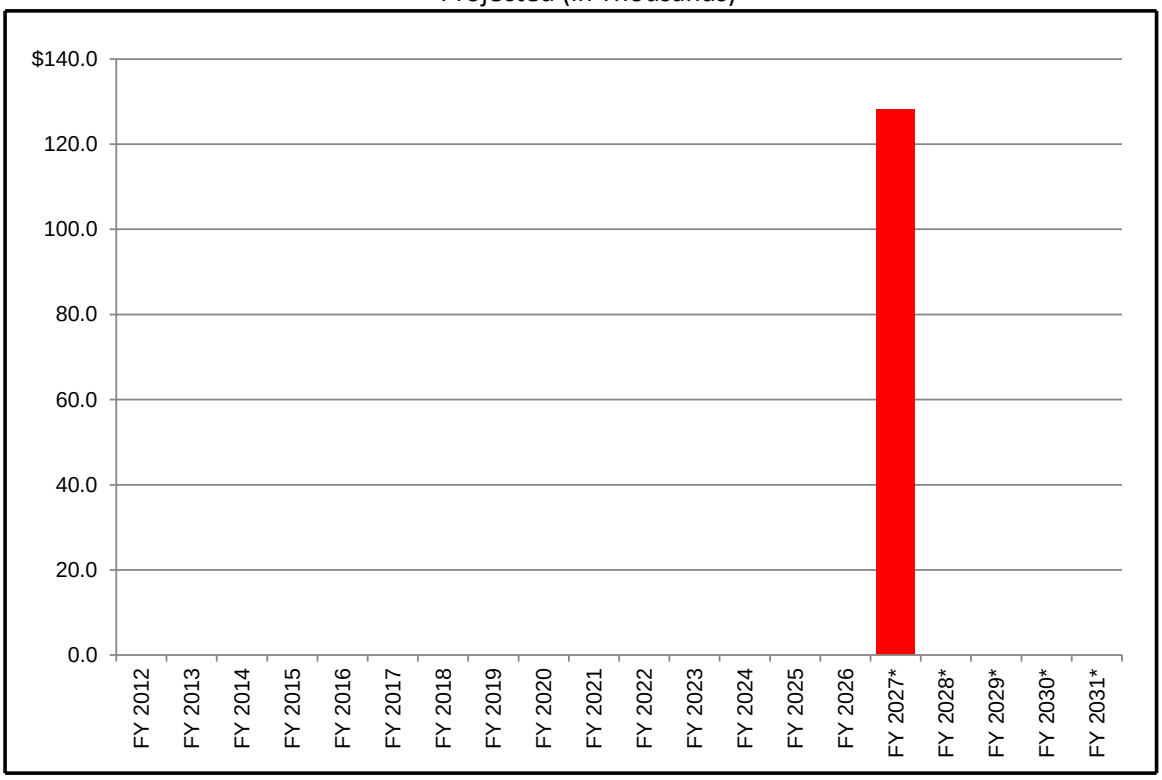
Figure 1 — Employer Child Care Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2012	$ 0	FY 2022	$ 0
FY 2013	0	FY 2023	0
FY 2014	0	FY 2024	0
FY 2015	0	FY 2025	0
FY 2016	0	FY 2026	0
FY 2017	0	FY 2027*	128,176
FY 2018	0	FY 2028*	0
FY 2019	0	FY 2029*	0
FY 2020	0	FY 2030*	0
FY 2021	0	FY 2031*	0

Figure 2 — Employer Child Care Tax Credit Redemptions

*Projected (in Thousands)



Additional Information

For additional information, visit:

- Iowa Department of Revenue Contingent Liabilities Report
- Iowa Department of Revenue Tax Credit Users' Manual
- Legislative Services Agency Individual Income Tax Guide

LSA Staff Contact

Evan Johnson
(515.281.6301)
evan.johnson@legis.iowa.gov

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