

Good Afternoon, Sen. Grohoski, Rep. Perry and Members of the Joint Standing Committee on Taxation. My name is Linda Caprara, I am Vice President of Advocacy for the Maine State Chamber of Commerce. I am also a resident of Winthrop. We are here to testify in strong support of L.D. 1891, "An Act to Support Maine Businesses Through a Child-Care Tax Credit and a Pass-Through Entity Tax." We would like to thank Rep. Maureen Terry for sponsoring L.D. 1891.

Child-care is a major issue for both employers and employees. The impact of childcare on businesses and the workforce has been and continues to be substantial and cannot be underestimated. In fact, it's getting much worse. Child-care doesn't just impact businesses and families, it impacts the growth of our economy. Businesses are already experiencing a labor shortage, particularly made worse by Maine's pandemic. Absenteeism, tardiness and parents choosing to stay home because of child-care all take a huge toll on workforce productivity and in the end affects economic growth and competitiveness.

The extent to which we can encourage and incentivize Maine businesses to provide child-care for their employees will have a huge impact on workforce and efforts to attract workers. That's what this bill does.

The bill has two parts. First, it provides for a Pass-Through Entity tax that is elective for closely held corporations such as partnerships or S-corps. The Pass-Through Entity tax is a win-win for both the taxpayer and the state. The Pass-Through Entity tax mechanism reduces federal income taxes while slightly increasing state revenues. Back in 2018, the Federal Tax Cuts and Jobs Act placed a limitation of \$10,000 on the amount of state and local taxes on federal personal returns. This had a huge impact on entities taxed as partnerships or S-corps since they do not receive a federal tax deduction for the majority of state income taxes, real estate taxes, sales taxes etc.

The second part of the bill would provide for a child-care tax credit equal to the lower of \$10,000 or \$1,000 per child of the employee for whom the employer basically provides in kind and or pays for childcare. Child-care tax credits help businesses help their employees afford childcare.

Availability and affordability of child-care has always been an issue for working parents but lately it has become an increasingly significant issue for businesses as well. In Maine alone 141 providers closed their doors permanently following the pandemic leaving a void in availability of

child-care. In addition, there are long waitlists in child-care businesses throughout the State. Ultimately, families bear the financial burden of child-care. The average cost of child-care in Maine is between \$10,000 to \$15,000 per child per year. With the median family income of about \$63,000, many parents simply can't afford it. As you might imagine the financial burden increases significantly with more than one child in care.

Last session, Sen. Trey Stewart sponsored L.D. 1222, "An Act to Expand Child-Care Services Through an Employer Supported Tax Credit." We testified in strong support of that bill as well. Let's be clear, we support both bills. The intent of both bills is simple, to help address the cost of child-care in the State. Ultimately, we urge this committee to pass both bills and would like to see the bills end up on the special appropriations table for funding.

Again, we urge the Committee to vote ought to pass on L.D. 1891. I would be happy to answer any questions.