

**LD 203, "An Act to Provide an Income Tax Credit
for Employer-supported Child Care"**

Joint Standing Committee on Taxation
April 16, 2025

Senator Grohoski, Representative Cloutier and Distinguished Members of the Joint Standing Committee on Taxation:

I am Trey Stewart; and I represent Senate District 2, which includes several communities in Penobscot and Aroostook Counties. I am here today to present LD 203, "An Act to Provide an Income Tax Credit for Employer-supported Child Care."

Child care is critical to the growth of Maine's economy. Unfortunately, child care is both scarce and expensive in much of rural Maine. With the lack of affordability, parents often have to make tough decisions about their participation in the workforce. Without safe, affordable and local options, parents are faced with the difficult choice of securing employment or caring for their children. Lack of affordable child care affects parents' ability to accept a job, maintain steady employment or reduce the number of hours they can work. This all impacts our economic growth as a State. We can do better than this.

According to ReadyNation, a consortium of business leaders under the umbrella of the Council for a Strong America, a bipartisan nonprofit that promotes workforce solutions, the child care shortage costs the United States \$122 billion in lost earnings, productivity and revenue each year. ReadyNation also stated that Maine's Gross Domestic Product (GDP) represents roughly 0.33 percent of the nation's GDP; and that suggests the lack of reliable child care for working parents of young children, up to age 3, could come to an estimated \$403 million in annual costs for Maine.

In addition to the affordability issues, there is an accessibility issue. There are waitlists in child care businesses throughout the State. While there are more than 47,000 licensed child care slots in Maine, as of January 2023 there were only 38,009 child care slots available to parents. The inability to hire staff is due predominantly to low wages. More than affordability or location, 95% of Portland Regional Chamber of Commerce businesses stated the biggest issue with child care in Maine is the fact that in many places there just aren't enough providers. With one of the greatest barriers to our economy at this time being the lack of available workforce, it is

particularly challenging for rural businesses where the services required to support a thriving workforce are lacking.

Child care in Maine costs between \$10,000-\$15,000 per child per year. The 2017-20 average median household income in Maine was approximately \$63,000. Maine Department of Health and Human Services guidelines for affordable child care is 10% of household income, so a family can afford roughly \$6300 per year. This leaves approximately, on average, a \$6000 gap in affordability.

This is where LD 203 comes into play. Maine businesses can help meet the child care need for their employees by providing funds to defray child care costs, working with a child care provider to reserve available slots, supporting expanded child care facilities on-site or with a child care provider. The tax credit described in this measure will help Maine businesses meet the child care need. While families need \$6000 on average to bring child care expenses into an affordable range, a tax credit of 50% (up to \$3000) will share the costs between business and state to meet this need. This tax credit will help Maine families afford child care and stay in the workforce. It will help Maine employers recruit and retain qualified workers by increasing their access to reliable child care. Additionally, it will ensure Maine child care providers have a stable funding mechanism to maintain and expand their services.

There are others here who will follow my testimony and provide more information on the positive aspects of this legislation and I am sure they will be able to answer questions about the more intricate details of the proposal.

Thank you for your time and attention and I appreciate your thoughtful consideration.