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Testimony of Rep. Tavis Hasenfus introducing
**LD 1555, An Act to Establish an Employer Tax Credit for Qualifying Child
Care Costs**
Before the Joint Standing Committee on Taxation

Good afternoon, Senator Grohoski, Representative Cloutier and esteemed members of the Taxation Committee. My name is Tavis Hasenfus, and I represent House District 57, which is the communities of Readfield and Winthrop. I am here before you today to introduce **LD 1555, An Act to Establish an Employer Tax Credit for Qualifying Child Care Costs**.

Childcare costs are a significant burden for many families in Maine, often preventing parents from remaining in or re-entering the workforce. Employers can play a pivotal role in addressing this issue by contributing to their employees' childcare expenses, but they need incentives to do so. A childcare tax credit for employers who help pay a portion of their employees' childcare costs offers a practical solution that benefits families, businesses and the state's economy as a whole.

Childcare costs in Maine can easily exceed \$10,000 per child annually, which is a substantial expense for working families. This tax credit would encourage employers to offer childcare assistance as an employment benefit, reducing the financial burden on families. With this support, parents may be able to remain in the workforce, pursue career advancement and improve their household financial stability. Moreover, alleviating childcare costs would make life less stressful for working parents, promoting overall well-being.

Maine, like many other states, has faced challenges in attracting and retaining employees in recent years. One major barrier for families is the high cost of childcare, which often forces parents to leave the workforce or reduce their hours. By incentivizing employers to offer childcare benefits, this policy would help retain skilled employees and reduce turnover rates. Businesses, especially smaller ones, could enhance their competitiveness and improve workplace morale, creating a more stable and productive workforce.

Small businesses in Maine often struggle to match the benefits offered by larger corporations. A

childcare tax credit tailored to support smaller employers ensures that these businesses can remain viable and attract talent without bearing the full cost of childcare contributions.

The mechanics of the proposal are as follows:

A matching tax credit of up to \$3,000 for any employer who pays, as an employment benefit, a portion of the employee's childcare costs. An employer can receive half of their total payment made to a child care facility on behalf of an employee, as a tax credit of up to \$3000 per child with a maximum of \$9,000 per employee.

In order to receive the maximum credit per child, an employer must pay \$6000 towards qualifying childcare expenses. If the employer pays less than \$6,000, the employer will receive half of the amount expended back through a credit, and if the employer pays more than \$6,000, the employer will receive the maximum \$3,000 credit.

If we presume a typical yearly cost for one child is \$9,000, this credit scheme allows the employee, the employer and the state pay each to pay 1/3 of the childcare expenses through a \$3,000 contribution from the business, a \$3,000 contribution from the employee and a \$3,000 contribution from the state.

The state's contribution as mentioned earlier is tied directly to the amount of the business contribution, and the more the business contributes, the more the state will contribute up to the caps of \$3000 per child, \$9000 per employee and \$36,000 per business.

The \$9,000 contribution cap essentially authorizes payment for three children at the maximum \$3,000 per child rate. Of course, if an employer offers a smaller contribution per child, then in theory, that \$9,000 cap could be used for contributions of more than three children per employee.

The amendment also offers a cap per business of \$36,000. I am not necessarily opposed to an open-ended program with no cap. However, given the limited resources within state government and a desire to provide targeted relief to small, Maine-owned-and-operated businesses, my bill is designed to leverage state resources with a scalpel to ensure the funds allocated to this program are shared evenly across Maine business and not disproportionately benefiting the largest and most capital-intensive businesses within the state.

The \$36,000 cap essentially allows for any business to cover 12 children at the full reimbursement. Though 12 may not seem like a large number, remember that few small businesses have more than a handful of employees needing childcare at one time.

This tax credit reflects Maine's commitment to supporting working families, fostering a strong local economy and addressing systemic challenges like the childcare crisis. By sharing the cost of childcare between employees, employers and the state, this policy promotes fairness and collaboration across stakeholders.

Offering this tax credit could transform the economic calculus for many families, encouraging parents to stay in the workforce and actively contribute to Maine's economy. The resulting

benefits—retained talent, thriving businesses and healthier families—would position Maine as a leader in tackling childcare affordability and workforce challenges.

In conclusion, Maine has a unique opportunity to address a critical issue that impacts families, businesses and the economy. A childcare tax credit for employers would not only help working families but also strengthen Maine's business environment and childcare infrastructure. It's a win-win policy.

Thank you for your time and consideration. I am happy to answer any questions you have for me.

Maine Legislature Joint Standing Committee on Taxation
Proposed Committee Amendment to Legislation

Committee: Taxation
Drafter: Geoffrey Lewis
File Name: P:\OFPR Drafts\LD 1555 – Amendment – A- 041525
LD No.: 1555
Item No: 2
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STATE OF MAINE
STANDING JOINT COMMITTEE ON TAXATION
132ND LEGISLATURE
FIRST SPECIAL
SESSION

COMMITTEE AMENDMENT “A” to H.P. 1013, L.D. 1555, Bill, “An Act to Establish an Employer Tax Credit for Qualifying Child Care Costs”

Sec 1. 36 MRSA §5217-G, subsection 2, to be enacted, is amended as follows:

2. Credit allowed for child care expenses. For tax years beginning on or after January 1, 2026, an employing unit is allowed a refundable credit against the tax otherwise due under this Part for each tax year in an amount equal to the lesser of:

A. Fifty percent of the costs incurred in providing child care services up to a maximum of ~~\$8,000~~ \$3000 for each child of an employee of the employing unit for which the employing unit is providing child care services; and

B. ~~Eighty thousand dollars.~~ Nine thousand dollars per employee.

The maximum credit to be received by any employing unit in any single tax year is \$36,000.

Any employing unit making child care services available to any employee under this credit program is required to make child care services of similar type and quality to all employees of the employing unit to qualify for the credit.

Sec 2. 36 MRSA §5217-G, subsection 3, to be enacted, is amended as follows:

3. Carry-over. Any unused credit under this section may be carried over to the following year or years for a period not to exceed ~~15 years~~ 5 years.

Sec 3. 36 MRSA §5217-G, subsection 4, to be enacted, is amended as follows:

4. Evaluation; specific public policy objectives. Beginning in 2030, the credit provided under this section is subject to ongoing legislative review in accordance with Title 3, chapter 37. In developing evaluation parameters to perform the review, the Office of Program Evaluation and Government Accountability, the joint legislative committee established to oversee program evaluation and government accountability matters and the joint standing committee of the Legislature having jurisdiction over taxation matters shall consider whether the specific public policy objectives and economic benefit of the credit provided under this section outweigh the loss of revenue to the State. The evaluation must include comparative employee retention and benefits data for participating employing units with 50 or fewer employees both before and after engagement with the child care tax credit program.

SUMMARY

This Amendment reduces the per child maximum credit from \$9000 to \$3000. It removes the \$80,000 credit cap for an employer and instead caps an employer's reimbursement to \$9000 per participating employee. The carry-forward of the refundable credit is reduced from 15 years to 5 years.

The amendment requires an employer to make the child care program subject to credit available to any employee in the employment unit. It amends the evaluation of the program to include specific scrutiny of small programs (under 50 employees) and the effect of the program on employee retention and other benefits within those units.