

Testimony of Linda Caprara

The voice of Maine business

On Behalf of the Maine State Chamber of Commerce

**in Support of L.D. 203, "An Act to Expand Child Care Services Through an Employer Supported Tax Credit
April 16, 2025**

Good afternoon Sen. Grohoski, Rep. Cloutier and members of the Joint standing Committee on Taxation. My name is Linda Caprara. I am the Vice President of Advocacy for the Maine State Chamber of Commerce and a resident of Winthrop. We are testifying in strong support of L.D. 203, An Act to Expand Child Care Services Through an Employer Supported Tax Credit. We would like to thank Sen. Stewart for sponsoring this bill that helps employers in this state defray the cost of childcare for their employees.

The impact of childcare on businesses and the workforce has been and continues to be substantial and cannot be overestimated. Childcare doesn't just impact businesses and families, it impacts the growth of our economy. The childcare shortage costs the United States \$122 billion in lost earnings, productivity and revenue each year, 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. According to ReadyNation, the growing cost of childcare crisis in Maine and its impact on families, businesses and taxpayers could cost the State \$403 million per year.

Ultimately, families bear the financial burden of childcare. The average cost of childcare 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. The average cost of infant care in Maine is \$11,960 per year. The State DHHS guidelines for affordable childcare is 10% of household income, so a family can afford about \$6300 per year. As you might imagine the financial burden increases significantly with more than one child in care.

Many states have diverse approaches to dealing with the childcare affordability issue and have implemented programs and allocated resources to help families with childcare costs. For example, New Mexico became the first state to offer free childcare to families earning up to 400% of the federal poverty level (approximately \$124,000 for a family of four). The Massachusetts Department of Early Education and Care (EEC) and the State of Rhode Island both provide financial assistance/subsidies to help families pay for childcare programs. Pennsylvania has expanded its

Child and Dependent Care Tax Credit, matching 100% of the federal credit, allowing families to deduct childcare expenses on their state income taxes, with a maximum benefit of \$2,100 for families with two or more children. Kentucky offers reduced-cost daycare for childcare workers.

Availability and affordability of childcare has always been an issue for working parents but it has become an increasingly significant issue for businesses as well. Businesses are already experiencing a labor shortage. Absenteeism, tardiness and parents choosing to stay home because of childcare takes a huge toll on workforce productivity and will no doubt in the end affect economic growth and competitiveness. This issue undermines all sectors of our economy from the forest-products industry to healthcare and shipbuilding.

That's why L.D. 203 is so important. Childcare tax credits help businesses help their employees afford childcare. L.D. 203 helps with the cost of childcare because it provides a refundable tax credit of up to \$3,000 for employers who provide in kind or partially pay for childcare services for children of their employees. We should be providing these incentives so businesses invest in childcare facilities or partner with childcare providers and allow more households into the labor force. The fact the credit is available will also no doubt help businesses retain and attract workers. It's a win-win for both the employer and the employee.

Help Maine families with the cost of childcare vote ought to pass on L.D. 203.