Employer-Provided Child Care Credit

Expanded for Working Families Tax Cuts (WFTC)

IRC Section 45F provides a federal tax credit for eligible employers that incur qualifying expenses to provide child care facilities and services for their employees.

Bigger Incentives for a Stronger Workforce

The Working Families Tax Cuts (WFTC) significantly expands the Employer-Provided Child Care Credit for tax years beginning after December 31, 2025, making it more valuable–particularly for small businesses.

WHAT IS THE CREDIT?

The credit encourages employers to invest in child care by providing a tax credit for qualified child care expenditures and qualified child care resource and referral expenditures.

QUALIFIED EXPENSES

Employers may claim the credit for:

- Costs to acquire, construct, rehabilitate, or expand qualified child care facilities.
- Costs to operate qualified child care facilities.
- Payments under contracts with qualified child care providers.
- Qualified child care resource and referral services provided to employees.

WHO CAN BENEFIT?

All eligible employers can claim the credit. The WFTC provides enhanced incentives for small businesses, including higher credit rates and a higher annual credit limit.

WHAT'S NEW UNDER WFTC

Beginning in 2026:

- Annual maximum credit increased from $150,000 to $500,000, with a maximum of $600,000 for eligible small businesses (indexed for inflation beginning after 2026)
- Credit rate increased from 25% to 40% of qualified child care expenditures.
- Credit rate increased to 50% for eligible small businesses.
- Retains the 10% credit for qualified child care resource and referral expenditures.
- Clarifies the treatment of joint ownership and operation of qualified child care facilities.

WHY IT MATTERS

- Helps employers offset the cost of establishing or expanding child care benefits.
- Supports workforce recruitment, retention, and employee productivity.
- Provides greater incentives for small businesses.
- Helps working families access affordable child care and participate in the workforce.

For additional information, visit

- Employer-Provided Child Care Credit Tax Year 2026 and later
- Employer-provided child care credit: Tax year 2025 and earlier

Publication 6203 (10-2026) Catalog Number 96687X Department of the Treasury **Internal Revenue Service** www.irs.gov