



June 1, 2018

Honorable Toni Atkins
President pro Tempore, California State Senate

Honorable Anthony Rendon
Speaker, California State Assembly

Honorable Holly J. Mitchell
Chair, Senate Budget and Fiscal Review Committee

Honorable Phil Ting
Chair, Assembly Committee on Budget

RE: Support for refundable Child and Dependent Care Expenses Credit in 2018-2019 budget

Dear Legislative and Budget Committee leaders,

As a representative of the 28 million small businesses in America and the more than 3.5 million in California, Small Business Majority writes today urging you to make the existing Child and Dependent Care Expenses Credit refundable so low- and moderate-income working families can benefit from a tax refund that will help defray the rising costs of child care. We know many small business owners and their employees are struggling to access affordable child care and participate in the workforce, and including funding in our state budget to make the tax credit refundable will help them immensely.

Small Business Majority is a national small business organization with offices throughout California, founded and run by small business owners to focus on solving the biggest problems facing small businesses today. We actively engage small business owners and policymakers in support of solutions that promote small business growth and drive a strong economy.

Our recent scientific opinion polling shows widespread support from small business owners for programs that help low- and moderate-income families afford child care.¹ Specifically, our poll found among small business owners who are parents (almost 90% of respondents), more than one-third say a lack of access to affordable, high-quality child care was a barrier to starting their business. Conversely, another 3 in 10 stated that lack of access to child care was a major reason they started their own business due to the need for increased flexibility, further underscoring that access to child care is a key consideration and challenge for entrepreneurs.

Small business owners' support for these programs is not surprising when you look at the effect lack of access to child care has on their business: Nearly one-third of small employers report their employees' family and child care issues have affected their job performance or productivity.

As a result, a strong majority of small business owners (70%) support policies that would expand and improve federal income tax credits for child care expenses that would allow for working parents to receive a percentage of child care expenses back as a refund. In the absence of federal action, we can address this issue by expanding California's existing tax credit and ensuring that it is refundable, putting money back in the pockets of working families in our state who are struggling to afford the child care they need to participate in the workforce. This will empower entrepreneurs and increase the productivity among existing small businesses' workforce.

We support any policy that will help entrepreneurs thrive, and providing funding in the state budget to make the Child and Dependent Care Expenses Credit refundable will do just that.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Herbert".

Mark Herbert, California Director

¹ <http://smallbusinessmajority.org/our-research/workforce/small-businesses-face-barriers-affordable-child-care-support-expanded-access>