

March 3, 2025

The Honorable Katie Britt
U.S. Senate
502 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Tim Kaine
U. S. Senate
231 Russell Senate Office Building
Washington, D.C. 20515

Dear Senator Britt and Senator Kaine:

As a representative of America's 34 million small businesses and on behalf of Small Business Majority, we write to thank you for your dedication to childcare access and affordability this Congress and to provide recommendations on how Congress can best support the growth and development of small businesses nationwide through increased access to affordable and quality childcare services. While Small Business Majority appreciates your leadership and hard work on the bipartisan Child Care Availability and Affordability Act and Child Care Workforce Act, which expands critical investments in families and childcare providers, we ask that you consider alternatives to the Employer-Provided Child Care Tax Credit (45F) that better enables the smallest businesses to support their workforce with childcare services.

Access to childcare impacts entrepreneurship and employees on Main Street

The growing lack of access to affordable and quality childcare not only impacts millions of families and children nationwide but also hinders small businesses' ability to thrive and compete in the economy. In a recent [national poll](#) conducted by Small Business Majority, nearly 60% of small business owners agree that a lack of access to affordable, high-quality childcare for their own children created an impediment for them to start and grow their business. When asked how their own childcare issues impact their ability to run their business, business owners reported that it forced them to take substantial time away from the business (56%), lose out on business opportunities (39%) and hire additional help (28%). Notably, 26% reported that they had to shut down their business and return to the workforce.¹

Furthermore, small business owners need to have certainty that their employees can access childcare services so they can fully contribute to the day-to-day operations of the business. This is especially critical for microbusinesses that may only employ one or two employees in addition to the owner. If a sole employee frequently misses work due to childcare issues, a business's productivity can decline significantly, ultimately affecting the business's bottom line. Therefore, it's not surprising that more than 6 in 10 (61%) small business owners agree that their employees' childcare issues have negatively affected their ability to do their job as efficiently as both the employer and employee would like.²

Recommendations to improve 45F to unlock childcare availability and local care economy infrastructure

While the Employer-Provided Child Care Tax Credit (45F) was created with the intention of assisting employers in offsetting the costs associated with providing childcare for their employees, both the structure of 45F and limited financial benefits for microbusinesses have failed to make the tax credit a feasible option for many small businesses.

¹ "Opinion Poll: Small businesses support policy solutions to address our nation's childcare challenges." Small Business Majority. April 9, 2024. <https://smallbusinessmajority.org/our-research/workforce/opinion-poll-small-businesses-support-policy-solutions-address-our-nation-s-childcare-challenges>

² Ibid

While the 45F provision is touted as an excellent benefit for employers in the tax code, smaller businesses simply are not able to meet the requirements needed to make investments in childcare. What's more, the utilization of 45F is already low across the board, with small businesses making up an even smaller percentage of that share of credit utilization. The Bipartisan Policy Center (BPC) found that less than 0.01% of businesses claimed expenses related to employer-provided childcare. In that same report, BPC underscores our sentiments that the cost and time burdens associated with an employer-sponsored childcare tax benefit is simply not feasible for many small businesses.³

Ensuring that the 45F provision works for Main Street and is worthy of a business owner's investment will require a much lower investment threshold in childcare expenditures. For example, the small business rule indicates that businesses that earn up to \$25 million over three years are eligible for a \$600k credit, while bigger businesses can only qualify for a \$500k credit, meaning that a small business would have to spend more than \$500k on childcare expenses to benefit from this expansion. It is also important to remember that according to the U.S. Small Business Administration, a small business is defined as one having fewer than 500 employees.⁴ However, the true mom-and-pop or Main Street businesses do not come close to that size, with 96% of all businesses having fewer than 50 workers. It is not realistic to assume that a small business owner in today's economy can afford to spend over half a million dollars on childcare expenditures, rendering the full credit unobtainable to those who need it most. Solving the childcare issue cannot be on the shoulders of our small business owners, most of whom support increased access to affordable childcare, yet cannot afford to make the type of childcare investments encouraged by 45F. Instead, 45F will provide tax credits to big businesses for making childcare investments they likely would have provided anyway.

Moving forward, Congress should explore lowering the maximum credit for 45F so most of the benefit does not flow to the largest businesses. Additionally, Congress should couple this with efforts to direct dollars that improve access to childcare for small businesses, supporting policies proposed by the Within Reach Coalition, of which Small Business Majority is an active member. This includes:

- **Renewing investments in the childcare industry**, such as the increased funding to the Child Care Stabilization Program during the pandemic – over two thirds of businesses in our network support extending programs like this in the future.
- **Not substituting policies that invest in care programming in favor of tax breaks** that don't reach Main Street.
- **Protecting and securing increased investments through annual appropriations** for the Child Care and Development Block Grant (CCDBG), Head Start, the Individuals with Disabilities Education Act (IDEA) Part B (619) and IDEA Part C, Preschool Development Grants Birth-through-5 (PDG B-5), and other relevant programs to help build supply and increase options for families seeking home-based, center-based, and faith-based care. Additionally, these programs must be protected from any freezes or delays in payments caused by a potential federal funding freeze.
- **Adopting policies that promote access to affordable, high-quality childcare and ease access for providers to offer services, without sacrificing protections around children's safety** for families who could benefit from these programs, like adopting presumptive and additional categorical eligibility practices, and encouraging states to reform regulatory standards to alleviate the burden on providers.
- **Investing in the supply side of childcare and shrinking the number of childcare deserts** by supporting increased compensation and benefits for childcare providers and early

³ "The Employer-Provided Child Tax Credit (45F)." Bipartisan Policy Center. 2022. https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2022/11/WEB_BPC_ECI-45F-Explainer_R01.pdf

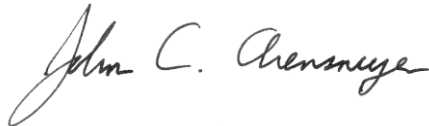
⁴ "Small Business Administration." Small Business Size Standards. <https://www.sba.gov/federal-contracting/contracting-guide/basic-requirements>

educators, boosting workforce pathways, and enabling professional development opportunities that give early educators a sustainable future in the field.

- **Modernizing data systems** to improve coordination across related programs and enable policymakers, researchers, and advocates to track access, affordability, quality, and other related indicators over time.
- **Expanding the reach of these programs so more eligible families and providers can access key supports and services.** Key federal programs only reach a fraction of eligible families, leaving many without access to care that meets their needs. Providers, in turn, operate on shoestring budgets, and need reimbursements that better reflect the true cost of care. Ensuring more families can access these services, and imposing caps on what families must pay is crucial to reducing barriers for those who need childcare.⁵

We thank you again for your dedication to improving childcare access across the country and look forward to continuing to work with you to ensure that all members of our economy, including the very smallest businesses, can benefit from this work. Should you have any questions or would like to discuss this issue further, please do not hesitate to contact our Government Affairs team at adamato@smallbusinessmajority.org.

Sincerely,



John Arensmeyer
Founder & CEO
Small Business Majority

⁵ "About the Within Reach Coalition." Center for American Progress <https://www.americanprogress.org/press/release-center-for-american-progress-launches-withinreach-a-campaign-to-make-child-care-and-pre-k-accessible-to-working-families/>