



Tax Benefits for Employers

Federal Tax Benefits

Business Expense Deductions

Because child care services reduce absenteeism and turnover, aid in recruitment and retention of employees, and increase productivity, amounts paid by an employer to provide a child care services through the Child Care Executive Partnership Program for employees may be deductible as ordinary business expenses under IRC Section 162.

Charitable Contribution Deductions

An employer may be entitled to a charitable contribution deduction for donating to a qualifying tax exempt child care organization, such as the Child Care Executive Partnership. In addition, an employer-sponsored child care center may be established as a tax-exempt organization and the employer's contributions to the center deducted as charitable contributions. (However, to claim that deduction the center must also be open to the public.)

Start-Up and Capital Expenses

Start-up and investigatory expenses incurred in the development of a new child care center may be amortized over 60 months or more under IRC Section 195. Eligible expenses may include costs for advertising, needs assessments, consultant services, and staff training—activities that you may choose to perform when considering participation in the Child Care Executive Partnership Program.

Costs incurred for acquiring, constructing, and/or remodeling a building to be used as a child care center can be depreciated over a thirty-nine year period under the Modified Accelerated Cost Recover System provided under IRC Section 168. Costs of equipping the building can also be depreciated over varying recovery periods. See IRS Publication 946 for specific depreciation instructions.

Dependent Care Assistance Plans (DCAPs)

Though primarily a tax benefit for employees, Dependant Care Assistance Plans (DCAPs) are another employee benefit tool that provides a tax incentive to both the employee and the employer. A DCAP is a type of flexible spending account that allows an employee to set aside a certain amount of their monthly income to pay for dependent care. The tax benefit is that neither the employee nor the employer pays income or FICA taxes on the amount used for dependent care if the benefit is offered under a "cafeteria plan as defined in Internal Revenue Code Section 125.

State Tax Benefits

Corporate Income Tax (CIT) or Insurance Premium Tax (IPT) Tax Credits

In 1998 the Florida Legislature created a credit to be used against Corporate Income Tax (CIT) or Insurance Premium Tax (IPT) for certain child care costs (or contributions to not-for-profit corporations that use the funds to pay certain child care costs). The total amount of tax credit available under this program is \$2 million for each state fiscal year, and is allocated on a first-come, first-served basis. The credit may be used for costs associated with:

- **Start-up costs for child care facilities.** Fifty percent of funds used to pay start-up costs for a child care facility operated by a corporation for its employees (and/or contributions made to a not-for-profit corporation for such start-up costs)...up to \$50,000 per tax year...may be eligible for the credit.
- **Operation of a child care facility.** Funds spent by a corporation to directly operate a child care facility for the corporation's employees (and/or donated to a not-for-profit corporation for such) may be eligible for the credit. The credit is for \$50 per month for each child enrolled in the facility...up to \$50,000 per tax year.
- **Payments to a child care facility on behalf of a corporation's employees.** The credit is for up to 50 percent of the amount of the payments...up to \$50,000 per tax year.

Any corporation that wishes to participate in this program must submit an application for Child Care Tax Credits to (Form F-1159) to the Florida Department of Financial Services. For more information on how to apply for the child care tax credit, please review the following tax information publication (TIP # 01C01-04) at the Florida Department of Revenue Web site (<http://sun6.dms.state.fl.us/dor/tips/tip01c01-04.html>) call toll free (in Florida) at 1-800-352-3671 or 850-488-6800.

You should further discuss these relevant tax laws with your accountant and/or tax counsel.