Employer Child Care Contribution Tax Credit Program

Guidelines for Businesses

May 2025

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Section I - Introduction
The Commonwealth of Pennsylvania, via the Pennsylvania Department of Revenue (referred to as the "Department"), oversees the Employer Child Care Contribution Tax Credit program, commonly known as the "Child Care Contribution tax credit program." This program was established under Act 56 of 2024, which revised Article XIX-K of the Tax Reform Code of 1971. The program enables employers to receive tax credits that can be applied against their state tax obligations when they provide contributions toward an employee's eligible child-care costs.

The program enables employers to receive tax credits that can be applied against their state tax obligations when they provide contributions toward an employee's eligible child-care costs. The Credit is equal to 30% of the contribution to Child Care Providers, with a contribution limit of $500.00 per employee per year. If $500.00 is contributed per employee, a $150.00 per employee credit may be awarded.

Section II – Program Eligibility
Employers who provide contributions toward an employee's eligible child-care costs may qualify for a tax credit amounting to 30% of the employer's contributions. This credit is limited to a maximum of $500 contribution per employee annually.

To be eligible to participate in the Child Care Contribution tax credit program, the employer must meet the following criteria:

1. Must be an entity subject to Pennsylvania Personal Income Tax, Corporate Net Income Tax, Bank Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax, or Mutual Thrifts Tax.

2. Must employ at least 1 employee and collect and remit Pennsylvania Employer Withholding Tax.

3. Must be able to provide evidence that the matching contribution was offered to all employees, so that each employee has equal opportunity to receive a matching contribution from the employer.

4. The employer must keep copies of the agreements to opt in or opt out of the contribution program offered by the employer for purposes of obtaining tax credits under the Child Care Contribution tax credit program.

5. Must be able to provide evidence of contributions during the tax year to Child Care Provider Organizations on an individual employee basis for those employees who have chosen to participate in the employer-sponsored benefit. Contributions may only be evaluated for tax credits for Child Care Provider Organizations, registered under the Department of Human Services (DHS), that hold an active certification with good standing through the Bureau of Certification Services. The current list of qualified organizations can be found at:
    - www.compass.dhs.pa.gov/providersearch/#/childcareprovidersearch.

- Evidence must include bank transmittals or other evidence showing each contribution to each Child Care Provider Organization.
- Evidence must include Official documentation from each Child Care Provider Organization validating receipt of the contributions.

6. Must be in state tax compliance as determined by the Department of Revenue.

    - State Tax Compliance requires the applicant, shareholders, members and partners of the applicant to have filed all required state tax reports and returns for all applicable taxable years and paid any balance of state tax due as determined at settlement or assessment by the Department of Revenue, unless the tax due is under appeal at the time the finding was made by the Department of Revenue

Section III – Application Deadline, Credit Approval and Credit Limitation

A. Application Deadline

A complete application must be submitted to the Department of Revenue by January 31, 2026, to qualify for a 2025 tax credit under the Child Care Contribution tax credit program.

B. Credit Approval:

Upon approval of the application and by April 30, the Department will issue a Child Care Contribution tax credit certificate to the employer that applied for the tax credit.

C. Credit Amount and Limitations

The tax credit will be calculated as 30% of the employer's contributions toward an employee's eligible child-care costs at a Child Care Provider Organization, with a maximum limit of $500 per employee for that year. In cases where the contribution reaches $500 per employee, the credit awarded will be capped at $150 per employee.

An employer is not entitled to carry forward, carry back, sell, or obtain a refund of all or any portion of an unused tax credit granted to the employer.

Section IV- Credit Utilization and Pass-Through

A. Credit Utilization

Upon approval of the application, the Department will issue a tax credit certificate and claim form to the Employer. To claim the tax credit, the employer must submit the tax credit claim form to the Department.

A tax credit approved in accordance with these guidelines will be a non-refundable credit that must first be applied against the Employer's own tax liability. It will be limited to 100% of Pennsylvania Personal Income Tax, Corporate Net Income Tax, Bank Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax, or Mutual Thrifts Tax and Personal Income Tax liabilities for partners, members, or shareholders for credits earned by pass-through entities such as partnerships, LLCs and S-Corporations.

B. Pass-Through Entity

If an employer is a pass-through entity and has an unused tax credit under Section 1903-J, the employer may elect in writing, according to procedures established by the Department, to transfer all or a portion of the credit to shareholders, members or partners in proportion to the share of the entity's distributive income to which the shareholder, member or partner is entitled. The same unused tax credit may not be claimed by the pass-through entity, and a shareholder, member or patron of the pass-through entity.

Section V- Application

Applications for the Child Care Contribution tax credit program must be received by January 31 to be eligible for tax credits earned in the previous year. Employers looking to apply for the program must submit all information electronically through myPATH.

Section VI -Contact Information

For additional information on the Employer Child Care Contribution Tax Credit Program, please contact the Office of Economic Development at 717-772-3896 or ra-rveconomic-dev@pa.gov.