

DAVE ARMSTRONG

STATE REPRESENTATIVE • 67TH ASSEMBLY DISTRICT

Testimony on Assembly Bill 369 August 21, 2025

Thank you for the opportunity today to testify on behalf of Assembly Bill 369.

As a state legislator and as Barron County's economic development director, I often hear from employers that the lack of accessible, affordable childcare is one of the main obstacles to hiring and retaining employees. Some employers have taken steps to address this situation by providing in-house childcare or by purchasing slots at local providers. As you can imagine, this approach can be expensive.

The federal government has tried to encourage employers' investment in childcare through Section 45F of the Internal Revenue Code. Section 45F is a nonrefundable tax credit equal to a percentage of the costs employers incur when establishing and/or operating a childcare facility for the benefit of their employees' children. Section 45F also includes a sliding-scale clawback provision for facilities that cease operation within 10 years. The Big Beautiful Bill that became law earlier this summer increased the percentage from 25% to 40%, and the annual dollar cap from \$150,000 to \$500,000 (50% and \$600,000 for small businesses). The Big Beautiful Bill also allows an employer to pool resources with other employers, as well as to contract for childcare services through third-party intermediaries.

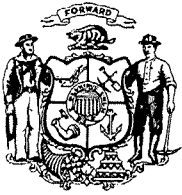
When I first heard about Section 45F, I was amazed that many employers aren't even aware of it, and even a memo by the Congressional Research Service acknowledges that Section 45F is not widely used. However, employers I've talked to since have wanted learn more.

Assembly Bill 369 mirrors Section 45F at the state level, essentially doubling the benefit for Wisconsin employers. In this way, I hope to increase the credit's use and to increase access to childcare. As I worked on this legislation this spring, I had heard rumblings about potential changes to the federal credit, so I was excited when the Big Beautiful Bill ultimately included language to dramatically expand the credit. The federal increase should definitely get employers' attention – even more so in Wisconsin, should AB 369 pass. (Because AB 369 was drafted and circulated before Congress passed the changes to Section 45F, the LRB analysis describes the pre-BBB federal provisions.)

At DOR's request, I have introduced Assembly Amendment 1, which does two things. First, it removes a potential inconsistency in the original bill and ensures that the state credit will continue to reflect the federal credit over time, without the need for the Legislature to update the state provisions whenever Congress updates Section 45F. Second, it first applies the credit to taxable years beginning after December 31, 2025, rather than after December 31, 2024.

AB 369 is not a magic bullet that will cure Wisconsin's childcare crisis, but I do think it's an important step in getting more employers to get skin in the game and help take on this important issue.

Thank you for your consideration.



DAN FEYEN

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To: The Assembly Committee on Ways and Means
From: Sen. Dan Feyen
Re: Assembly Bill 369

Hello members of the committee, thank you for taking the time to hear testimony on AB 369.

The lack of childcare is a major barrier for hiring and retaining employees. In response to this many employers have begun looking into either creating an in-house childcare program or purchasing slots at local daycares for their employees' children.

AB 369 will help encourage businesses to explore these options by mirroring Section 45F of the Internal Revenue Code. Section 45F is a federal, nonrefundable tax credit for the costs of creating or operating a childcare facility, or partnering with a qualified child care facility to provide care for employee's children.

The Federal government, through the One Big Beautiful Bill, recently bolstered this tax credit from 25% to 40% of childcare expenses. They also increased the cap from \$150,000 to \$500,000 for larger employers and created a 50% credit up to \$600,000 for small businesses. The Federal government is recognizing the opportunity that this credit can create and is re-investing in the program.

This bill puts Wisconsin on the same page, helping to boost investments into childcare in our state. By mirroring the federal credit, Wisconsin will essentially double the benefit for investing in childcare for employees.

This credit also protects taxpayers, by providing a recapture provision that will claw back any credits earned if the child care facility ceases to operate, or for certain ownership transfers within the first 10 years.

By creating a Wisconsin employer-provided childcare tax credit we can increase visibility on the program and help to spur business led investments in childcare.

Thank you again for taking the time to hear this bill.