DAN FEYEN

STATE SENATOR

20th Senate District
(608) 266-5300, (888) 736-8720
Sen.Feyen@legis.wi.gov

PO Box 7882, Madison, WI 53707-7882
www.SenatorFeyen.com

To: The Senate Committee on Agriculture and Revenue
From: Sen. Dan Feyen
Re: Senate Bill 376

Hello members of the committee, thank you for taking the time to hear testimony on SB 376.

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.

SB 376 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.

Senate Amendment 1 moves the effective start date and fully ties the State Credit to the Federal Credit. So if the Federal Credit were to be updated, the State's credit would update with it.

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.

DAVE ARMSTRONG

STATE REPRESENTATIVE • 67TH ASSEMBLY DISTRICT

Testimony on Senate Bill 376
August 28, 2025

Thank you for the opportunity today to testify on behalf of Senate Bill 376.

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.

Senate Bill 376 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 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 SB 376 pass. (Because SB 376 was drafted and circulated before Congress passed the changes to Section 45F, the LRB analysis describes the pre-BBB federal provisions.)

SB 376 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.

P.O. Box 8952 • Madison, WI 53708-8952 • (608) 237-9167 • Toll-Free: (888) 534-0067 • Fax: (608) 282-3667
Rep.Armstrong@legis.wi.gov

TO: Chair Testin, Vice-Chair Tomczyk, and Honorable Members of the Senate Committee on Agriculture and Revenue

FROM: Jeff Pertl, Secretary-designee

DATE: August 28, 2025

SUBJECT: 2025 Senate Bills 286, 291 and 376 – for information only

---

Thank you Chairman Testin, Vice Chair Tomczyk, and members of the committee for the opportunity to discuss business incentives and tax strategies that support child care.

On the heels of the bipartisan state budget, there is momentum around the state and in the capitol to expand child care access, affordability and quality for Wisconsin's working families. These child care policy conversations have centered four main areas:

- **Direct provider investments**, such as child care counts and the new bridge payment program;
- **Support for working families,** such as Wisconsin Shares and the recently adopted enhanced payments for infants and toddlers;
- **Tax incentives, deductions and credits** for businesses and working families, including expansion of the state child tax credit and the Partner Up! program; and
- **Regulatory review and capacity building**, including streamlining afterschool care rules, flexibility for family providers to serve older kids, and a pilot program around ratios.

The results of these conversations are reflected in our bipartisan, historic child care investments in the 2025-27 biennial budget. Thanks to the leadership of Governor Evers and bipartisan majorities in the legislature, we have $360 million in new child care funding, including $110 million in Child Care Bridge Payments that DCF began distributing to providers around the state this month. These resources are a vital step forward for working families, providers, and employers across our state.

However, we know the work is not done. To be competitive, we know we need multiple strategies to strengthen the child care system – including smart and scalable tax policy – that can complement the critical direct budget investments made in the state budget.

In discussions with business, community and child care leaders across the state, it is clear businesses are looking for simpler, smarter, more scalable ways to support their employees' child care needs. Moreover, while flexibility is valued, too many small programs and pilots can create confusion, undermine the effectiveness of incentives and foster overly complex systems.

Three of the bills before you today would leverage tax policy in an effort to create greater access to affordable child care. I want to thank the authors for their work and their efforts to find solutions and strategies that can help expand access and bring down costs.

While I do not intend to address the bills individually, I wanted to take the opportunity to talk with the committee more broadly about what an overarching child care tax strategy could look like for Wisconsin businesses and families – and the scale that would be needed for that strategy to be meaningful.

Limitations to onsite care or purchasing slots: While there are several notable businesses that provide onsite child care, they are small percentage and tend to be larger employers. As a state, we certainly want to support and sustain this strategy, but realistically it is more of a boutique strategy that doesn't scale well statewide.

Simply put, most business leaders want to support their employees in accessing child care, but do not want to be in the business of running a child care directly. As a result, many of the existing federal and state tax credits or deductions for capital investments are under-utilized.

Beyond our current efforts, we need to develop a business tax incentive strategy that is feasible for our wide array of employers –particularly for small and medium business, non-profits organizations and public employers.

Incentivizing Dependent Care Flexible Spending Accounts (DC-FSAs). As an employer, the State of Wisconsin participates in the federal Dependent Care–Flexible Spending Account (DC-FSA) program, which is governed by the Internal Revenue Service (IRS). It functions just like a Health Savings Accounts (HSA) or similar flexible spending account, but for dependent care.

The federal maximum contribution for DC-FSAs was recently increased from $5,000 to $7,500, reflecting bipartisan interest in this strategy. Unfortunately, many employers don't offer DC-FSAs as a benefit to employees.

We are talking with business leaders and human resources professionals to promote this strategy, but I would encourage us to think about a more robust strategy that would include (1) encouraging businesses to offer DC-FSAs; (2) incentivizing business contributions to employee's DC-FSAs; and (3) working with federal policy makers to increase the maximum DC-FSA contribution.

Administrative feasibility and scale. Legislative hearings are an important part of working through program design considerations, especially at the intersection of economic development, tax policy, child care strategy and workforce development. These policy conversations allow us to consider how business incentives align with the state's subsidy strategy, family tax benefits and child care providers investments to build a stronger, more affordable child care system.

A strong, sustainable child care system will rely on all four of the major policy strategies identified: direct provider investment, family subsidies, tax incentives and regulatory review. However, within that framework, investing more significantly in the most impactful programs at scale will yield far greater returns for Wisconsin families and our economy.

In closing, I'm grateful for the opportunity to be with you today and to continue this important dialogue. It's critical that leaders from across business, child care, and government continue to partner together to find workable, scalable, and sustainable tax policy solutions that can complement our direct investments to providers and working families. I look forward to continuing to partner with you to keep the momentum from our historic biennial budget going. I'm happy to answer any questions you might have.