

Congress of the United States
Washington, DC 20515

February 14, 2023

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Douglas O'Donnell
Acting Commissioner
Internal Revenue Service
1111 Constitutional Avenue, NW
Washington, D.C. 20224

Dear Secretary Yellen and Acting Commissioner O'Donnell:

We write to call to your attention report language accompanying the Consolidated Appropriations Act for FY23 that recommends that the Internal Revenue Service (IRS) increase awareness of the Employer-Provided Child Care Credit among employers.

The child care sector was pushed to a breaking point during the COVID-19 pandemic, and there remains an ongoing need for investments and policy solutions that support child care providers and help parents access affordable, high-quality child care options. Half of all workers and nearly 60 percent of parents cited a lack of child care as their reason for leaving the workforce last year.¹ Annually, businesses lose an estimated \$23 billion in lost earnings, revenue, and productivity when working parents do not have adequate child care.² Without actions that help connect parents to affordable, high-quality child care, this crisis will continue to deepen while keeping working parents, especially mothers, out of the workforce and hindering national economic growth.

The federal tax code provides a credit designed to offset some of the costs an employer incurs providing child care for their employees, known as the Employer-Provided Child Care Credit.³

¹ Merchen, Aaron, *Childcare Solutions for Working Parents: Flexibility is at the Top of the List* (Dec. 20, 2022), U.S. Chamber of Commerce Foundation, <https://www.uschamberfoundation.org/blog/post/childcare-solutions-working-parents-flexibility-top-list>.

² Ready Nation, *\$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis*, Council for a Strong America (Feb. 2023), <https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-care-crisis>.

³ 26 U.S. Code § 45F; *see also* Smith, Linda et. al, *The Employer Provided Child Tax Credit (45F)* (Nov. 2022),

Bipartisan Policy Center, https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2022/11/WEB_BPC_ECI-45F-Explainer_R01.pdf.

The President’s FY2022 budget called for an increase in the size of the credit with the Treasury Greenbook arguing that “[o]n-site childcare is valued by parents, and may generate important benefits such as lower absenteeism, higher employee performance, higher employee retention, and higher employee satisfaction.”⁴

A recent GAO report reviewed the credit and made recommendations to improve the credit design and take-up rates.⁵ Included in the report was a finding that employers are often not aware of the Employer-Provided Child Care Credit and lack a clear understanding of how the credit can be applied. In response, House Report 117-393, adopted by the Consolidated Appropriations Act, 2023, Public Law 117-328, recommended that the IRS conduct an awareness campaign on the credit, including bolstering efforts to disseminate information on how the tax credit works and how employers can utilize it in various situations to help their employees access child care services.⁶ Given that only 11 percent of all workers have access to employer-provided child care, now is the time to ensure that this important tool to help connect parents to child care is working as effectively as possible.⁷

We look forward to being briefed on your efforts to increase awareness of this credit and remain committed to working together on child care solutions that meet the needs of families.

Sincerely,

Handwritten signatures of Katherine M. Clark and Michael F. Bennet in blue ink.

Katherine M. Clark
Democratic Whip

Michael F. Bennet

United States
Senator

⁴ U.S. Department of the Treasury, *General Explanations of the Administration’s Fiscal Year 2022 Revenue*

Proposals (May 2021), <https://home.treasury.gov/system/files/131/General-Explanations-FY2022.pdf>.⁵ United States Government Accountability Office, *Employer-Provided Child Care Credit: Estimated Claims and Factors Limiting Wider Use* (Feb. 2022), <https://www.gao.gov/assets/gao-22-105264.pdf>.⁶ H.R. Rep. No. 117-393, at 28-29 (2022).

⁷ United States Government Accountability Office, *Employer-Provided Child Care Credit: Estimated Claims and Factors Limiting Wider Use* (Feb. 2022), <https://www.gao.gov/assets/gao-22-105264.pdf>.