



Employer-Provided Child Care

Employee retention has long been a challenge for businesses of all shapes and sizes. One of the biggest hurdles in keeping employees occurs when an employee has a child. Employer-provided child care (EPCC) increases employee productivity, retention and overall well-being. In addition to the aforementioned benefits, EPCC can also provide businesses with substantial tax savings. Employers with *qualifying* expenditures for childcare can claim a federal credit of up to 25% as well as a Georgia credit of up to 75%. These credits, coupled with some additional tax benefits can actually yield an after-tax cash surplus--the plan can more than pay for itself.

Example

ABC, LLC, a partnership, is planning to provide child care to its employees. The company estimates the annual cost to be approximately \$400,000. ABC, LLC's partners all pay taxes at the highest federal income tax rate of 39.6% and a Georgia income tax rate of 6%. Here is an example of the potential benefit:

Federal Credit =	\$100,000
Tax Benefit from Federal Deduction =	\$118,800
Georgia Credit =	\$300,000
Tax Benefit from Georgia Deduction =	<u>\$24,000</u>
Gross Tax Benefit =	\$542,800
Less: Cost for Child Care =	<u><400,000></u>
After-Tax Surplus =	\$142,800

In addition to the savings at the employer level, employees receiving this benefit can exclude up to \$5,000 of qualifying employer-provided child care from their taxable wages.

Navigating through the related tax regulations can be complex, however, as there are limitations at the employer level as well as implications for the employee receiving the benefit. The details matter. Our office can help your business determine if setting up an Employer-Provide Child Care plan makes sense for you.

For more information on potential EPCC tax savings, please contact your Bennett Thrasher representative by calling 770.396.2200.

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