Senator Kohl's
Child Care Business Tax Credit

SUMMARY

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SENATOR KOHL'S CHILD CARE BUSINESS TAX CREDIT

Recent research on the brain has confirmed what educators, parents, and sociologist had postulated for years: the most significant period in a child's development and education is between the years 0-3. In addition, with the advent of welfare reform and the mass movement of mothers into the work force, children in these crucial years are more and more often spending a significant portion of their day in care outside their families.

Unfortunately, public policy has not kept up with these trends. Many working families cannot find quality child care for their young children. And while the Federal, State, and local governments have helped build a education system for 5-25 year olds that is the envy of the world, care and education for 0-5 year olds is largely unstructured, under-valued, and scarce.

Senator Kohl's tax credit proposal addresses these trends. It is designed to provide an incentive to private sector businesses willing to take actions that increase the supply of quality child care. His bill will make the credit available for child care supply increasing activities such as:

- Expenses related to the acquisition, expansion, or repair of an on- or near-site day care center, after hours care facility, or sick child facility. This credit would also be available for a consortium of businesses that joined together to create a child care center
- Direct company subsidization of the child care facility operating costs related to the training of employees, to scholarship programs, to accredidation, and to the provision of increased compensation to employees with higher levels of training
- The cost of a company's contract with a Child Care Resource and Referral service
- A company's reservation for their employees of child care slots in a licensed child care facility

The credit would be 50% for eligible activities and capped at $150,000 per year. Safeguards will be written into the legislation to ensure that the company's receive the tax credits for capital expenditures that go toward facilities that stay in operation for several years and that primarily serve their employees.

The tax credit is contained in S.82, the Child Care Infrastructure Act, introduced at the beginnning of the 105th Congress. S.82 has received praise from businesses, parents, and day care workers alike. *Working Mother* magazine gave the initiative its "Lollipops" award in the January issue, and the Children's Defense Fund has endorsed it. S.82 is also endorsed by the National Center for the Early Childhood Work Force and the National Child Care Association. An amendment based on S.82 was the only democratic amendment adopted by either House on either reconciliation bill. It passed in the Senate by a bipartisan vote of 72-28 during consideration of the reconciliation tax bill.

S. 82
LEGISLATIVE LANGUAGE

S. 82

LEGISLATIVE LANGUAGE

105TH CONGRESS
1ST SESSION

S. 82

To amend the Internal Revenue Code of 1986 to provide a credit against tax for employers who provide child care assistance for dependents of their employees, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 21, 1997

Mr. KOHL introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To amend the Internal Revenue Code of 1986 to provide a credit against tax for employers who provide child care assistance for dependents of their employees, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Child Care Infrastructure Act of 1997".

SEC. 2. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

"SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.

"(a) IN GENERAL.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to 50 percent of the qualified child care expenditures of the taxpayer for such taxable year.

"(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed $150,000.

"(c) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED CHILD CARE EXPENDITURE.—The term 'qualified child care expenditure' means any amount paid or incurred—

"(A) to acquire, construct, rehabilitate, or expand property—

"(i) which is to be used as part of a qualified child care facility of the taxpayer,

"(ii) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and "(iii) which does not constitute part of the principal residence (within the meaning of section 1034) of the taxpayer or any employee of the taxpayer,

"(B) for the operating costs of a qualified child care facility of the taxpayer, including costs related to the training of employees, to scholarship programs, and to the providing of increased compensation to employees with higher levels of child care training,

"(C) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer, or

"(D) under a contract to provide child care resource and referral services to employees of the taxpayer.

"(2) QUALIFIED CHILD CARE FACILITY.—

"(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

"(i) the principal use of which is to provide child care assistance, and

"(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 1034) of the operator of the facility.

"(B) SPECIAL RULES WITH RESPECT TO A TAXPAYER.—A facility shall not be treated as a qualified child care facility with respect to a taxpayer unless—

"(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

"(ii) the facility is not the principal trade or business of the taxpayer unless at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer, and

"(iii) the use of such facility (or the eligibility to use such facility) does not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of section 414(q)).

"(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

"(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

"(A) the applicable recapture percentage, and

"(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

"(2) APPLICABLE RECAPTURE PERCENTAGE.—

"(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

"If the recapture event occurs in:	The applicable recapture percentage is:
Years 1–3	100
Year 4	85
Year 5	70
Year 6	55
Year 7	40
Year 8	25
Years 9 and 10	10
Years 11 and thereafter	0.

"(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the qualified child care facility is placed in service by the taxpayer.

"(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

"(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as a qualified child care facility.

"(B) CHANGE IN OWNERSHIP.—

"(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in a qualified child care facility with respect to which the credit described in subsection (a) was allowable.

"(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

"(4) SPECIAL RULES.—

"(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

"(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

"(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

"(e) SPECIAL RULES.—For purposes of this section—

"(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

"(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

"(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

"(f) NO DOUBLE BENEFIT.—

"(1) REDUCTION IN BASIS.—For purposes of this subtitle—

"(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

"(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

"(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.

"(g) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 1999."

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) of the Internal Revenue Code of 1986 is amended—

(A) by striking out "plus" at the end of paragraph (11),

(B) by striking out the period at the end of paragraph (12), and inserting a comma and "plus", and

(C) by adding at the end the following new paragraph:

"(13) the employer-provided child care credit determined under section 45D."

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

"Sec. 45D. Employer-provided child care credit."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1996.

○

QUESTIONS AND ANSWERS

QUESTIONS AND ANSWERS

QUESTIONS AND ANSWERS
ON
SENATOR KOHL'S CHILD CARE BUSINESS TAX CREDIT

What does the Kohl legislation do?

S. 82 creates a 50% tax credit for up to $150,000 of annual expenditures on a variety of activities that would increase the supply of quality child care. Companies can receive the credit for activities such as:

- building and subsidizing an entire child care center on the site of a company or near it;
- participating, along with other businesses, in setting up and running a child care center jointly;
- subsidizing the child care facility operating costs related to the training of employees, to scholarship programs, and to the provision of increased compensation to employees with higher levels of training;
- contracting with a child care facility to provide a set number of places to employees, or;
- contracting with a resource and referral agency to provide services such as placement or the design of a network of child care providers for their employees,

The credit is designed so that it covers more than just building an on-site day care center. We want to get small and medium sized businesses involved in providing this sort of benefit as well -- and often they will only be able to afford to be part of a co-op day care arrangement or the services of a resource and referral company (which are often used to design a feasible child care plan for a company).

How much is this going to cost?

The Joint Tax Committee estimates that the bill will cost $2.6 billion over From FY 97 through FY 2002 (the effective date is currently December 31, 1996). The totals are as follows.

Fiscal Years (Billions of Dollars)						
1997	**1998**	**1999**	**2000**	**2001**	**2002**	**97-02**
-0.2	-0.4	-0.5	-0.7	-0.5	-0.1	-2.6

The credit is sunsetted after three years which explains why the estimate trails off. We have considered several changes to the bill that could reduce the cost further. These include: shortening the sunset period, limiting the credit to "new" investment, and limiting the definition of operating costs to costs related to improving the quality of a child care facility.

Could you explain those changes further?

They are reflected in the edited copy of S. 82 included in this package. We plan to reintroduce the bill and get a new cost estimate based on these changes.

The first change is to the effective date. The *starting* date for the amendment is changed from January 1, 1997 to January 1, 1999. The credit is meant to encourage new investment, so obviously there is no point in offering it for investment made before the credit is passed. The termination date is changed from January 1, 2000 to January 1, 2001. Thus the overall time period for the credit is reduced from three to two years which should reduce the cost.

The second change is to the type of investment covered. According to the Treasury Department, it is technically feasible to offer the credit only for *new* investment. Again, that should lower the overall cost.

And finally, section (c)(1)(B) regarding the credit's availability for operating costs is narrowed to cover only those operating costs related to teacher training, scholarship programs for teachers or students, increased compensation to employees with higher levels of child care training, and costs related to accreditation.

Why are operating costs covered at all?

The bill is not just about increasing the supply of any child care -- it is about increasing the supply of affordable, quality child care. As much research shows, decent levels of teacher pay, and especially pay scales related to levels of training, allow centers to attract and keep quality child care teachers. Scholarships for students make center care affordable for all types of workers. And working toward accreditation ensures that a center achieves and maintains high standards. We strongly believe that business investments in these sorts of operating costs are an important component of our attempts to stimulate investment in quality child care for employees' dependents.

Is there any evidence that tax credits encourage business investment in child care?

The only major study on business credits and child care investment was done in 1989 by the Child Care Action Campaign. They looked at several States experience with various business tax credits and concluded that they were not very effective.

We believe that these conclusions are out-of-date. Their conclusions were based on the premise that credits only work when businesses believe that child care investments make good business sense. We would argue that, since 1989, the composition of the workplace and worker awareness of child care issues has greatly increased the demand for child care benefits. In addition, many large and successful businesses have proved that offering child care makes business sense. Finally, we have heard from numerous resource and referral firms and providers of corporate child care that they know of many firms ready to invest in child care if only given the boost of a credit.

We have spoken with officials in California, where they have an active outreach program for their state credit, and they believe it is used and useful.

ENDORSEMENTS

ENDORSEMENTS

LOLLIPOPS to Senator Herb Kohl (D–Wis.) for encouraging businesses to do their part for the nation's children. Kohl has proposed a tax credit for companies that support child care by providing direct child care subsidies to employees or centers, sponsoring a resource and referral agency or paying for training of child care providers. Under the proposal, businesses would be credited for 50 percent of the costs, with a maximum credit of $150,000 per year. "This is not the only answer, but it is a significant way to provide for child care as we move into the twenty-first century," Kohl says. He estimates the cost of the credit to be about $2 billion over seven years—the same price as one of the 20 B-2 bombers scheduled to be made in the next two years.

Children's Defense Fu

March 17, 1997

The Honorable Herbert Kohl
U.S. Senate
Washington, D.C. 20510

Dear Senator Kohl:

The Children's Defense Fund endorses the Child Care Infrastructure Act as an important step in helping communities move towards a comprehensive approach to meeting their child care needs. Employers can be partners in helping states and communities support the myriad necessary investments to ensure that all children receive the good child care they need to enter school ready to learn and their parents need to work and be self-sufficient.

CDF believes that the Child Care Infrastructure Act will help encourage the business community to step up their commitment to improving families' child care options. Thank you for introducing it and for your understanding of the critical role that supportive child care plays in families' lives.

Sincerely yours,

Marian Wright Edelman

25 E Street, NW
Washington, DC 20001
Telephone 202 628 8787
Fax 202 662 3510

National Center
for the
Early Childhood
Work Force

formerly the Child Care Employee Project

April 1, 1997

The Honorable Herbert Kohl
United States Senate
330 Hart Building
Washington, D.C. 20510

Dear Senator Kohl:

On behalf of the thousands of child care teachers and family child care providers that the National Center for the Early Childhood Work Force represents, I offer our endorsement of S. 82, *The Child Care Infrastructure Act*, that you have recently proposed. It is an important step toward improving the quality of child care available in this country.

Research has consistently shown that the education, training, and compensation of child care teachers and providers is directly linked to the quality of services that a child care program offers. Studies have also repeatedly shown that good compensation and healthy working environments for child care teachers are associated with lower turnover in child care jobs and higher quality care for children.

But too often, child care policy initiatives are developed without consideration of these facts. The growing needs for higher child care work force retention rates, more compensation-linked training programs, better access to higher education and more child care career development strategies are neglected. As a result, parents are less likely to find a skilled and stable work force to care for their children when they work outside the home, and our ability to support working families and the economy is greatly diminished.

Your bill, however, presents employers with the incentive both to expand **and** improve the quality of child care by rewarding employers who invest both in child care and in child care *jobs*. We are pleased that employers will, under this legislation, be eligible for a tax credit on operating costs of qualified child care facilities related to: the training of employees; the provision of scholarship programs; and most importantly, the provision of increased compensation to employees with higher levels of training.

Our membership thanks you for recognizing the link between building a skilled and stable child care work force and maintaining a strong economy, and we appreciate your efforts to support employers as they make this link through S.82, *The Child Care Infrastructure Act*. We have enclosed a copy of our new study, *Making Work Pay in the Child Care Industry: Promising Practices for Improving Compensation*, which provides additional strategies for you and your colleagues to consider.

Sincerely,

Claudia E. Wayne

Claudia E. Wayne
Executive Director

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202/737-7700 202/737-0370 FAX Worthy Wage Campaign: 1-800-U-R-WORTHY
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NATIONAL CHILD CARE ASSOCIATION

Post-it Fax Note | Date | # of pages 1
To Nicky
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May 5, 1997

The Honorable Herb Kohl
United States Senate
Washington, D.C. 20510

Dear Senator Kohl:

On behalf of the Board of Directors of the National Child Care Association (NCCA), I am writing to express the support of the NCCA Board of Directors for your legislation, S. 82, which would establish a three-year tax credit for employers who provide child care incentives for their employees.

NCCA is the only professional trade association representing the private, licensed childhood care and education community. Our membership is diverse and includes the largest companies as well as single site providers. NCCA has a dual advocacy -- quality child care at an affordable cost to parents, government and industry coupled with an abiding interest in the continuing viability of the private child care community.

Your leadership in proposing positive incentives for growth is to be commended. Too many working families must struggle to locate and afford quality, licensed child care providers. Employers who work closely with their employees in this important task are performing a useful and enlightened service. The media is publishing considerable rhetoric about the importance of quality child care, but enactment of your legislation is crucial to making the child care search safe and successful.

We look forward to working with you to enact this legislation this year. Thank you again for your strong support on this important issue.

Sincerely,

Beverly T. Clarke

Beverly T. Clarke, President

BTC:cgc

cc: NCCA Board of Directors
Nancy Granese, NCCA Director of Government Relations
Lynn White, NCCA Executive Director

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Single MOTHER
A SUPPORT GROUP IN YOUR HANDS
97 JUN 16 AM 11:19
Publication of NOSM—the National Organization of Single Mothers, Inc., a not-for-profit network

"Dedicated to helping single mothers face the challenges of daily life with wisdom, wit, dignity, resourcefulness and courage"

Senator Herbert Kohl
330 Hart Senate Office Bldg
Washington, DC 20510

Dear Senator Kohl:

The National Organization of Single Mothers, Inc., is pleased to show its support for the Child Care Infrastructure Act. We are also excited about your sponsoring an initiative to fund early childhood education programs as part of the Federal budget.

We are particularly interested in your work to see that parents are provided with quality child care since single mothers rely on the child care provider as an extended family. With all the changes in the welfare program, women entering the work force are more concerned with finding good child care than anything else. It's only logical that to make the welfare restructuring work, providing incentives to companies to provide safe and nurturing quality care for America's children only makes sense.

Thank you for all you are doing and for being part of the solution. It's refreshing to see our elected officials working towards results rather than condemning or judging those they would like to blame for our society's problems. It's about time that America caught up with the needs of the people rather than pine for a false nostalgia. The fact is more than thirty percent of all households are headed by a single parent and the majority of these hard working parents are in desparate need of child care.

We have published information in our newsletter about your work on behalf of children and will offer any support or information that you need. Again, thank you.

Sincerely,

Andrea Engber

Andrea Engber

NOSM, Andrea Engber, Director • PO Box 68 • Midland, NC 28107-0068 • Tel: 704/ 888-2337 • Infoline: 704/888-KIDS • Fax: 704-888-1752

EXAMPLES OF PRINT PRESS ON KOHL LEGISLATION

EXAMPLES OF PRINT PRESS ON KOHL LEGISLATION

Staff photo by Steve Kinderman

Sen. Herb Kohl outlines his legislation at a news conference Tuesday at the Luther Hospital satellite [illegible]

Sam Perrella, wearing a striped shirt, and Brett Bachman. Amanda Jeske and center director Nan [illegible]

Kohl: Invest in our children

Bill offers tax breaks for at-work day care

By Christa Farris
Leader-Telegram staff

A federal tax credit of up to $150,000 could be available to private businesses beginning on-site child care.

At a news conference at the Luther Hospital child-care center, U.S. Sen. Herb Kohl, D-Wis., discussed the "Child Care Infrastructure Act," a bill Kohl introduced the first day of the 105th Congress.

"This bill will help attract and keep employees at companies that get into the business of offering quality child care," Kohl said.

The bill would allow a company to directly subsidize the operating costs of a child-care facility, pay for continuing education for child-care workers and provide other day-care incentives.

The legislation will cost about $2.6 billion dollars for five years, Kohl said.

"This legislation is another piece of the puzzle to get more quality day care and needs to be encouraged," Kohl said.

Luther's child-care center serves 300 children of Luther Hospital and Midelfort Clinic employees.

Nan Olson, director of the center, said she hopes Kohl's bill will pass.

"It's a terrific bill. It will make a big difference," Olson said.

To cover costs of the legislation, Kohl said, "we have to save money to get money." One way of saving money is to reduce the number of nuclear submarines, Kohl said.

"That's what happens when the big shots in Washington try to decide how to spend tax money. We need to spend money on the young people. They are often short-changed," Kohl said.

Kohl said he hopes the bill will pass this year. Kohl is building bipartisan support and recruiting Senate co-sponsors to strengthen the bill's chances.

Farris can be reached at 833- [illegible]

Play-room meeting

JEFFREY PHELPS/STAFF PHOTOGRAPHER

Charlie Wycklendt (left), 4, glances up at Sen. Herb Kohl (D-Wis.) as he enters the child care area at the Quad/Graphics Inc. printing plant in Sussex Monday. Kohl was there to outline his proposal to provide a tax credit of up to $150,000 per year to businesses that increase child care options for their employees. A Kohl spokeswoman said the $2 billion program would be paid for by closing outdated tax loopholes.

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Child care is one of the key factors in working for a company for Leah Ische (far right at table) and her daughter, Alyse Hoth, 2½, as well as for other mothers. Sen. Herb Kohl (left) and Harry Quadracci (center) agree.

(CNI photo by Mary Catanese-Pugens)

Child care is Sen. Kohl's 'major legislative priority'

Quad/Graphics is site for announcement of legislation introduction

By Robert McGuire
Staff Writer

Describing a Quad/Graphics child care program as "forward looking," Senator Herb Kohl chose the company's Sussex plant Monday to announce work on a child care bill that he calls his "major legislative priority."

Kohl arrived in Sussex Monday morning to spend time touring the Quad/Graphics Quad/Care facility to seek input on a bill he is drafting to introduce when the Senate reconvenes in September.

The bill would provide tax break incentives to companies that make it easier for its employees to get day care for their children.

After chatting with parents and children at the Quad/Care center, Kohl held a press conference with Quad/Graphics President Harry Quadracci to explain his interest in child care issues.

"In this day and age it's essential that you think about the children of your employees," Kohl said.

"It seems to me that there are very few things that we could do for the future of the United States better than what we do right here at Quad/Graphics."

Six children

The printing company started on-site day care for its employees 11 years ago, serving only six children at first. It now has three on-site facilities at its plants in Sussex, Pewaukee and Lomira, serving more than 750 children.

Quad/Care also operates a private school and after school and summer programs for older children.

Kohl said that the Quad/Graphics program is the kind of thing he hopes to encourage with his bill.

"This man has been forward looking," Kohl said of Quadracci. "He understands the value of child care."

Kohl said that he has met with little resistance in the business community to his plan to encourage more company-sponsored day care.

"The only problem is that there's a cost involved there," he said, explaining why a tax credit is necessary.

Kohl said, though, that he believes providing child care will benefit companies by minimizing training and by attracting a larger pool of qualified job applicants.

"It is actually a competitive advantage," he said.

To emphasize his point, the news conference included remarks from Sussex employees whose children attend Quad/

CONTINUED ON PAGE 7

Kohl

CONTINUED FROM PAGE 1

Care.

Leah Ische of Lannon, holding her daughter, Alyse Hoth, said that as a young mother looking for work, child care was a big worry.

Day care important

"The first thing you look for is jobs with day care. They kind of go hand in hand," she said.

Quadracci said that he first determined to set up day care in his company at a time when four of his executives were pregnant at once. Without the child care, he says, his company would have lost a lot of talented employees.

He also said that companies shouldn't worry about the cost of providing child care for its employees.

"Just go ahead and do it," he advised. "There's always a cost involved but don't be terrified.

"You pay employees to worry about business problems. If they're worried about their children, they can't do what you're paying them for."

Details of Kohl's proposed child care bill are scarce, but it could provide a 50% tax credit up to $150,000 for companies or consortiums of businesses that do one of several things:

- acquire, expand or repair on-site or near-site day care centers;
- subsidize the operating costs of a child care facility;
- contract with a nonprofit child care resource and referral service;
- reserve slots in licensed child care facilities for the children of its employees;
- spend money on training child care workers; and/or
- donate funds to, or invest in, non-profit child care enterprises.

Closing loopholes

Kohl said that the tax credit would be paid for by closing existing tax loopholes but he was unable to provide further details.

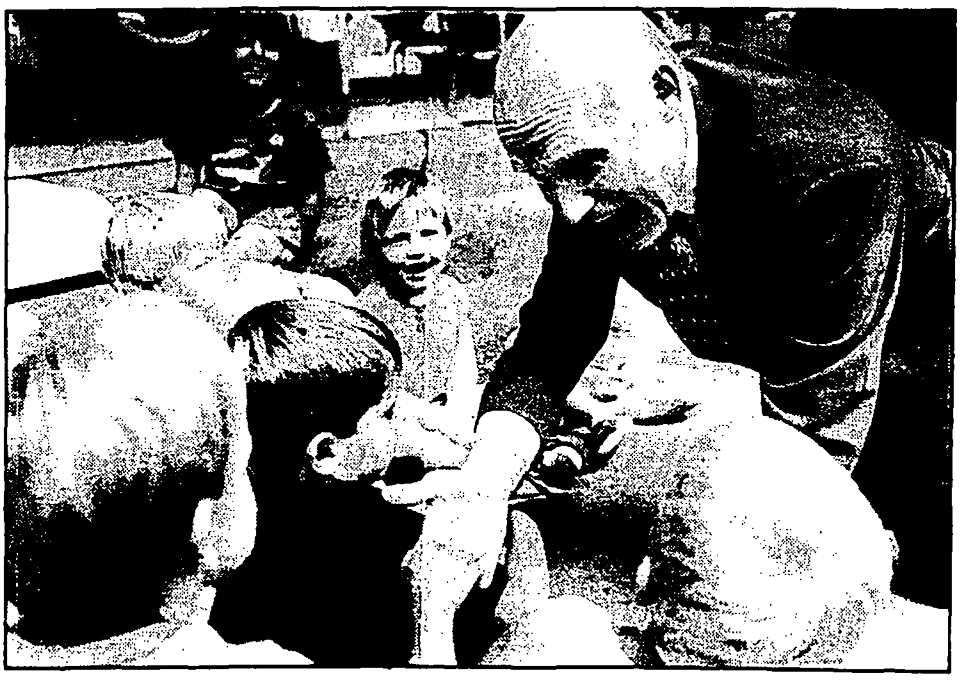
He estimated that the plan could cost $2 billion but addded that $2 billion is what one B-2 military aircraft costs.

"I don't think there's much question if we took a vote here today we could use tax dollars more effectively," he said. "The vote is 100 to nothing. Wouldn't it be if people understood those numbers?"

Kohl was more cautious about the bill's chances in Congress.

"Washington operates in strange ways," he said. "I sure hope we can get this thing done quickly.

"I'm not going to tell you this is going to be done lickety split. But this is my major legislative priority."



Sen. Herb Kohl meets future voters at Quad/Graphics Quad/Care facility in Sussex.

Kohl's proposal wou d

Senator advocates granting incentives to employers

By Stephen J. Siegel
Washington correspondent

WASHINGTON — Sen. Herb Kohl today is scheduled to introduce legislation designed to increase the availability of quality child care in Wisconsin and across the country.

The Wisconsin Democrat's proposal comes just as the Congress is preparing to adjourn for the year and leave Washington, so its timing is less than ideal. But in another sense, its timing is nearly perfect.

The welfare reform bill approved by Congress in July and signed by President Clinton last month will force thousands of mothers of young children into the work force, and they will need daycare for their kids.

That will put additional pressure on the nation's network of child-care providers, which advocates for working parents and children say already is inadequate to the task.

Kohl

Kohl's bill seeks to alleviate that coming crunch by offering businesses a tax subsidy if they agree to provide daycare facilities for their employees' children at or near the company's place of business.

In turn, that could be a boon for parents who dislike having to drop their children at a child-care facility inconvenient to their homes or their workplaces.

"It starts with the premise that we have a need for quality child care facilities in our state and our country," Kohl said.

"Both parents are now working (in most families), as are 70 percent of women with a child under 6."

In addition, Kohl said companies offering such an option would have an advantage in attracting high-quality talent, "because employees would be overjoyed to have their children being taken care of at their place of employment where they can look in on them and be satisfied that the quality of child care is high."

There's little doubt that that's the case, but Kohl's proposal also would provide incentives for companies to offer child care up to a mile away, the senator said.

Having one's child a mile away presumably would be less appealing to a parent than an offer to have a child in the same building.

But either way, Kohl's bill, if enacted, would likely bring more companies into the child-care business.

The legislation also encourages small companies to pool their resources with other small firms nearby and create child-care facilities together.

Businesses that agree to provide or subsidize daycare on-site or nearby would gain a tax credit equal to 50 percent of the cost of providing the service.

That, Kohl believes, would be a sufficient incentive for companies to get into the child-care business.

It also would cost the government some money, but the exact figure has not been determined.

Kohl's staff estimates that it would cost in the range of $1 billion a year, but the senator says that could be offset either by eliminating other corporate tax preferences or by reducing spending on military hardware Kohl believes is unnecessary, such as the B-2 bomber.

"We have 20 in our arsenal," Kohl said. "The bomber was developed to evade Soviet radar. What do we need any more of those for? Each one costs $2 billion."

upgrade availability of child care

Because the bill is being introduced just as Congress is heading for the campaign trail, the legislation will not go anywhere this year. Kohl plans to re-introduce it when Congress re-convenes in January, and he expects support from Democrats and Republicans alike.

But he has chosen to offer it now, spokeswoman Lynn Becker said, to let people know it's a priority, and to allow other senators and their staffs to begin thinking about the proposal's merits and flaws.

"This is clearly not something that should get the ire of one party or the other up," he said, although he acknowledged that a dispute will probably arise when the time comes to cut other spending or tax subsidies to finance it.

Indeed, Rep. Scott Klug, R-Wis., expressed support for the concept, but he wanted to withhold an endorsement until he sees how the costs associated with the plan are absorbed.

"He's generally supportive," said Klug spokeswoman Pam Arruda. "It's more creative, more innovative than a government-run program. But he has questions on how it's paid for."

Nevertheless, Kohl and Klug should be able to find common cause in that regard. Both have expressed interest throughout their years in Congress in reducing spending on defense and for corporate subsidies.

Child-care advocates like the proposal. Diane Adams, a Madison consultant and director of the Wisconsin Child Care Resource and Referral Network, said the legislation is "a good step forward."

Adams, who has been encouraging employers for 20 years to provide child care for their employees, agreed with Kohl that businesses — as well as employees — would benefit.

She said it would increase employee loyalty and reduce turnover, a major cost burden for many businesses.

"This is probably a very workable idea," Adams said.

However, a spokeswoman for the National Federation of Independent Business, which represents the nation's smallest employers, cautioned that most of the group's members still would be unable to provide day care, even with a tax credit.

"We represent very small businesses, and most of them don't even make much of a profit," said spokeswoman Kristin Hogarth.

"Small business owners would love to provide child-care facilities for their employees, but the money is just not there."

Business Insurance

Monday, February 24, 1997

CHILD CARE TAX BREAKS PROPOSED

MEG FLETCHER

WASHINGTON-A surge of legislative proposals would offer employers tax cuts for helping their workers obtain good child care services.

The U.S. Senate and three state legislatures are considering bills offering employers tax credit incentives to establish child care facilities or to provide related services, such as referrals.

"Unequivocally, this country needs more and better child care," said Marguerite W. Sallee, president and chief executive officer of CorporateFamily Solutions in Nashville. "Higher quality care is employer-sponsored care."

However, federal and state lawmakers must weigh the merits of the family-friendly proposals against the value of tax revenue lost through such credits. And the bill must compete against other tax-relief proposals, a consultant noted.

In Congress, Sen. Herbert Kohl, D-Wis., re-introduced his bill last month after an initial introduction in September.

S. 82, "The Child Care Infrastructure Act," would amend the Internal Revenue Code to provide a financial incentive to private businesses that:

Acquire, expand or repair an onsite or near-site day care center, after-hours care facility or sick-child facility.

Subsidize the operating costs of a child care facility.

Fund an employer's contract with a child care resource and referral service.

Reserve child care slots in a licensed child care facility for employees' children.

Train and provide continuing education programs for child care workers.

The bill offers employers a 50% credit on federal taxes for all eligible activities, capped at $150,000 annually. Most provisions would have three-year sunset clauses.

"The legislation gives flexibility to businesses that want to get involved in providing child care for their employees' dependents," Sen. Kohl said last month when he introduced the bill.

Businesses have a very personal stake in helping employees obtain good child care, he said.

"Employees who are happy with their child care situations are better employees. They are more productive, have less absenteeism and are more loyal to their company," Sen. Kohl said when he introduced his bill.

"Good child care is clearly very important for two reasons: It helps parents to work and concentrate on their jobs. It also helps children grow and develop into healthy, happy adults," said Barbara Reisman, executive director of the non-profit Child Care Action Campaign in New York City.

The need is great. In Wisconsin alone, 67% of women with children under six years old are in the workforce, yet there is only one accredited child care center for every 2,800 of these children, Sen. Kohl said in a statement. "Further, it is estimated that 70,000 children will need child care as a result of the work requirements created by Wisconsin's W-2 welfare reform plan," he added.

Nationally, the need for child care slots also is expected to swell as additional aid programs require able-bodied recipients to get jobs.

Even when good child care is available, it is often expensive and creates a financial burden on working parents.

Parents now pay an average of $75 per week for child care, though good-quality care costs $100 to $150, depending on the age of the child, said Ms. Reisman of the New York child care group.

Many large employers realize the situation and are helping workers with the cost of child care.

Most major employers provide employees with some type of child care benefit, primarily through a dependent care spending account, according to a 1996 survey by Hewitt Associates L.L.C. in Lincolnshire, Ill.

Under federal tax law, an employee may be able to obtain tax credits of 20% to 30% of child care expenses, depending upon his or her income and tax liability. The maximum credit is $2,400 for the first child and $4,800 for two or more children.

In addition, an employee typically can fund up to $5,000 of expenses through pretax contributions to flexible spending accounts, but those contributions would be used to offset the amount of the tax credit that would be available.

Proposals now being considered would create a financial incentive for businesses to help by reducing state tax liability.

State legislatures in Indiana, Ohio and Missouri also are considering similar tax credit programs, said Scott Greginski of the National Conference of State Legislators in Denver.

Eighteen states have passed a wide variety of such laws, according to a recent NCSL survey.

The proposals vary in scope and typically go beyond merely providing tax credits for building facilities, according to Mr. Greginski, who has been tracking the measures for the past six years.

For example, the bill pending in Ohio provides a 50% credit on state income or corporate franchise taxes to employers for establishing or operating an offsite center as well as a 50% tax credit to employers that directly reimburse employees for child day care costs. However, a 100% credit applies to employers that establish an onsite facility.

Sen. Kohl's bill is prompting the most comment from employers and consultants.

"My impression is (S. 82) would be a boon to midsized and smaller companies that are unsure of how to handle their employee needs balanced against their profit and loss margins," said a spokesman for AT&T Corp. in Basking Ridge, N.J.

A $150,000 cap, while helpful, is not as beneficial for larger employers like AT&T whose cost for work/family benefits runs into the millions of dollars, he said.

The bill would provide some help for companies such as International Business Machines Corp., Xerox Corp. and AT&T, "but for smaller companies, it could be what tips the balance in favor of offering a program for their people," the AT&T spokesman said.

"This bill will motivate employers to create child care facilities, greatly expanding the supply of child care," said Ms. Sallee of CorporateFamily Solutions. Government can no longer be expected to fund these services, but it can serve as a catalyst for more and better child care, Ms. Sallee continued. Any carrot the government is willing to give will help. This bill "is a wonderful carrot."

"This could make a big difference, especially for small employers," said Ms. Reisman of the New York child care group.

"A positive feature of (Sen. Kohl's) legislation is it seems to be pretty flexible in terms of the services it would allow the credit to be used for," said Frank McArdle, a Washington-based consultant with Hewitt Associates.

However, "there are a lot of tax credit proposals out there now," Mr. McArdle said. Sen. Kohl's bill, "while appealing, hasn't gotten first-tier attention because it is competing with other, more popular proposals," he said. Those other proposals include a $500 per child family tax credit and tax credit for providing health insurance to children needing medical care, he said.

"This (proposal) is interesting and should get an interesting debate under way," said Gwen Morgan, a consultant with WFD, a Boston-based consulting firm focusing on work and family issues. However, "it may be a little more generous to employers than most of the Congress would want."

Sally Roberts contributed to this story.

HELP FOR WORKING PARENTS

Kohl's child-care tax credit deserves bipartisan support

We'd like to think Sen. Herb Kohl, D-Wis., will get broad bipartisan support for his idea of granting tax credits to employers who provide employees with child-care services.

There is probably no greater impediment to employment in these days of two-worker families and single parents than the lack of quality child-care services.

And even when such services are found, they often are expensive and far enough from home and work that they produce their own impediments.

This becomes a burden not only for employees, but for the firms they work for as well. Child-care problems contribute to absenteeism and lowered productivity on the job through anxiety, emergency departures and all the other complications of parenthood.

How much better would it be if child-care services were at work, or nearby, and parents could relax secure in the knowledge their children were being well-cared for.

Kohl's bill would grant a credit of up to $150,000 to a firm that provided, or participated with other companies in providing, child-care services for employees.

Kohl used a visit to the Johnson Wax Child Care Center to talk up his bill, though it's likely the Johnson firm would not be a major beneficiary of the bill if it were signed into law.

The $150,000 credit would be available only to the parent firm, not to each subsidiary that operates child-care services. For larger companies — General Motors comes to mind — that $150,000 would not be a significant benefit.

But there are thousands of smaller employers around the country who would offer child-care services if they could find a way to do it within their own financial constraints.

Kohl's bill would offer a credit of 50 percent of the cost to the employer, up to that $150,000 limit.

There is an additional factor that tends to raise the proposal from a nice idea to a near necessity: welfare reform.

Nationwide, in some form or another, welfare programs are becoming work programs, just as they are in Wisconsin. Part of the difficulty of getting welfare recipients off the dole rolls and onto payrolls will be finding child care.

Experts say there is no way the current child-care resources will be able to come close to meeting the expected demand for services resulting from welfare reform. Some of that shortfall, at least in Wisconsin, will be filled by new child-care services created by the availability of state child-care funds. But certainly there will remain an unmet demand.

Kohl's bill, which the Joint Committee on Taxation estimates would reduce federal revenues by 2.6 billion over five years, should provide at least a partial answer to that problem.

Congress, and the various state legislatures, have imposed the "work not welfare" philosophy to welfare recipients. Now we'll see if our representatives are genuinely interested in making it possible for welfare parents to seek and accept that work.

We hope the Senate and House, and President Clinton, will give Kohl's bill their support.

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