Child Care Is Everybody's Business: Employers as Part of the Solution

How can Tennessee bring more employers into the solution and make every employer dollar go further?

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Families, providers and government can't solve Tennessee's child care shortage alone. Employers are part of the solution, and they need to be.[1,2] When care falls through, employers pay in absences, turnover and open shifts. When they invest, it pays off, and new tools now cover much of the cost.

What child care gaps mean for Tennessee employers

$497M lost by Tennessee employers each year to lower productivity and turnover.[3]

80%+ of Tennessee working parents of young children report work disruptions.[3]

<15% of U.S. private-sector workers have an employer child care benefit.[4]

The business case

5–300%
return across 11 common employer options, and every one paid off. A five-company study found 90–425%.[5,6]

98%
of Tennessee employers surveyed say affordable, quality child care matters to productivity.[7]

54%
said a tax credit covering half the cost would make them likely to add a benefit.[7]

The Six Ways Employers Invest

Documented across 26 Tennessee employers in TQEE's *The Child Care Advantage* (2026).[8]

1. **Navigation Platform** — Helps employees find and enroll in care.
2. **Backup or Emergency Care** — Covers care when plans fall through.
3. **Guaranteed or Priority Seats** — Reserves spaces with existing providers.
4. **Shared or Consortium Center** — Shares a center with other partners.
5. **Individual Employer Center** — One employer's center at or near work.
6. **Tuition Assistance** — Stipends, subsidies or FSA dollars. *Can layer onto 1–5.*

Flexibility + Family-Friendly Practices. Flexible scheduling, paid family leave, remote work and other supportive practices complement the six ways.[8]

New tools to stretch employer dollars

WHAT'S NEW

Federal 45F credit: 40% of qualified child care costs (50% for small businesses), up to $500,000 ($600,000). Pooling and intermediaries count.[9]

Federal 45S paid leave credit: now permanent, including on insurance premiums.[10]

Dependent-care FSAs: $7,500 limit, the first permanent increase since 1986.[11]

CareShare Tennessee: state match for employer contributions, authorized for 2027.[12]

WHERE THE TOOLS FALL SHORT

Tennessee has no state child care credit for employers. Its last was repealed in 2009, and its paid leave credit expired in 2025.[13,14]

Nonprofits and public employers can't use any of these tax credits, because they already owe no federal income tax or state franchise and excise tax.[9,15]

CareShare is funded, but its revenue source is in court.[16]

A Proposed Goal for 2030

By 2030, every Tennessee employer, including small businesses and nonprofits, can find a child care investment that fits its budget, with state incentives that make each employer dollar go further.

Concepts for discussion

All are voluntary for employers, and they can stack together.

1 Launch the CareShare Tennessee Pilot

Created by the 2026 Promising Futures Act. Employers, employees and the state share costs; nonprofits and local governments can join. An administrator will run it under a performance-based contract that tracks employer sign-ups. Funding is in court; use other funds to start on time.[12,16]

EXAMPLE Michigan, Ohio, Virginia, North Carolina, Kentucky and Missouri have launched tri-share programs. Virginia gives small businesses priority, and Kentucky reserves a quarter of its funds for them.[17,18,19]

2 Restore and Expand State Tax Credits

Tennessee repealed a child care facility credit in 2009 because no taxpayers claimed it, and its 2023 paid leave credit lasted two tax years.[13,14] Restore the leave credit with a longer runway, and add a child care credit matching 45F that covers seats and intermediaries, not just buildings.

EXAMPLE **Child care:** Georgia and Kansas credit 75% of employer costs, and South Carolina up to 50% of facility costs. **Paid leave:** New Hampshire credits half of leave insurance premiums.[1,20,21]

3 Help Employers Claim Tax Credits

More credits only help if employers claim them. Only 57 and 67 businesses claimed Tennessee's paid leave credit in its first two years; its last child care tax credit also went largely unclaimed. Many employers don't know they exist or how to claim them.[13,22] Create a state tax credit liaison (e.g., in Labor, ECD or Revenue) to help employers claim them, backed by an awareness campaign.

EXAMPLE A bipartisan federal bill, with a House version from Tennessee's Rep. David Kustoff, would create a Business Child Care Liaison at the IRS to help employers use federal child care tax benefits.[23]

4 Renew and Expand NEW Care Grants

Public Chapter 452 (2023) created the Child Care Improvement Fund, $15 million a year for child care agencies from July 2023 to June 2026. TDHS used it in 2024 to launch NEW Care Partnership grants, matching employer investment with state funds, and has awarded 10.[24,25,26] Make the grants permanent.

EXAMPLE Iowa adds $2 in state funds for every $1 of local private investment in child care.[1]

5 Test Tri-Share for Paid Parental Leave

Build on CareShare Tennessee to give employers a lower-cost way to offer paid leave: employer, employee and state split the cost. Employers may claim 45S on their share and help ensure parents come back after time with their new baby. More weeks at home means fewer months of costly infant care.[10,12]

EXAMPLE Federal 45S covers 12.5% to 25% of leave wages. Michigan, Ohio and Kentucky split child care costs three ways, a model to adapt for leave.[1,14,17]

6 Treat Child Care as Economic Development

Let Economic and Community Development count child care in incentive packages, and encourage local boards to use PILOTs, land leases and TIF for it. Clarksville-Montgomery County's industrial development board used a $1-a-year lease and a 10-year PILOT to bring an 800-slot center to its industrial park.[8]

EXAMPLE Wisconsin's business credit counts employee child care investment. Indiana lets communities use TIF for child care.[20,27]

Questions for the Room

1. **What would it take for your business or organization to start or expand a child care benefit?**
2. **Which concepts would bring the most employers in?** Think about small businesses and nonprofits too.

Sources

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10 26 U.S.C. § 45S, as amended by P.L. 119-21 (2025); IRS Notice 2026-28 (Aug. 5, 2026).

11 26 U.S.C. § 129, as amended by P.L. 119-21, § 70404 (2025). A one-year 2021 increase expired.

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13 Tennessee Public Chapter 530 (2009), §§ 1–2, repealing the child day care facility credit; Tennessee Department of Revenue, *2009 Legislative Summaries*.

14 Tennessee Works Tax Act, Public Chapter 377 (2023); Tennessee Department of Revenue, Notice 23-10 (May 2023) and *Tennessee Works Tax Act* overview. The credit applied to tax years ending on or after Dec. 31, 2023, and before Dec. 31, 2025.

15 Tennessee Department of Revenue, *Franchise and Excise Tax Manual*, Chapter 2, Persons Subject to Tax and Exemptions (March 2021): not-for-profits are generally not subject to franchise and excise tax.

16 Financial Technology Association, lawsuit filed June 10, 2026, in Davidson County Chancery Court challenging Public Chapter 1035 (2026), the Promising Futures Fund's revenue source.

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18 Virginia HB 18 / SB 3 (2026); Office of the Governor, news release (May 27, 2026).

19 Ky. Rev. Stat. § 199.885(8), reserving 25% of Employee Child Care Assistance Partnership funds each year for small businesses.

20 State examples: O.C.G.A. § 48-7-40.6 (Georgia); Kansas SB 82 (2026), as reported by HPPR (May 1, 2026); Indiana HEA 1177 (2026), Indiana Family and Social Services Administration summary.

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27 Wisconsin 2025 Act 78.