

New Childcare Business Income Tax Credit

BUSINESSES: JOIN IN THE EFFORT TO MAKE CHILD CARE AVAILABLE IN NEW YORK CITY!



“Childcare is foundational. This country and this city wouldn’t function without childcare. My administration made a promise to deliver high-quality, affordable childcare to our hardworking families—an investment that we know is worthwhile because it is an investment in our kids and our future. It takes a city to raise a child, and we need creative solutions if we are to realize the goal of making childcare more accessible for New Yorkers. That’s why my administration championed a new childcare business income tax credit for businesses that provide free or subsidized childcare for their employees and their families. The public and private sectors can accomplish a lot together, and we hope that your business takes advantage of this important opportunity.”

— Mayor Eric Adams

New York City is investing in an accessible, equitable, and high-quality childcare system. Among the many strategies to accomplish this goal is the creation of **a new NYC business income tax credit for businesses that provide free or subsidized infant/toddler care for their employees.** Businesses may be eligible for the credit if the childcare services provided are in new childcare seats made available by the businesses. This is a great way to expand employee benefits and get a tax credit.

The credit is equal to 20% of the annualized weekly per-child cost for infants and toddlers according to published childcare market rates for New York City, up to a maximum of 25 children.

Childcare market rates are published by the NYS Office of Children and Families after a statewide survey of childcare providers is completed. The business income tax credit is based on rates for New York City at the 69th percentile.

Example: Children who are all under 1 ½ years of age: Current weekly rate for NYC at 69th percentile is \$406. The annualized amount is \$21,112. At 20%, the tax credit would be \$4,222 per child. With a cap of 25 children per employer, the credit may equal up to \$105,550.

With the subsidy requirement, businesses can charge employees up to 40% of the childcare market rate. Businesses have the flexibility to provide different subsidy amounts based on employee titles, pay scale or other factors, but the cost to the employee may not exceed 40% of the childcare market rate.

The City has budgeted a total of \$25 million for this business income tax credit. Benefits may be reduced if approved abatements for eligible buildings exceed \$25 million.

FREQUENTLY ASKED QUESTIONS

What kinds of businesses are eligible?

Businesses that are subject to the New York City unincorporated business tax, general corporation tax, or business corporation tax.

What kind of childcare qualifies?

The provider needs to be permitted by the NYC Department of Health and Mental Hygiene (DOHMH).

Does the childcare center need to be on-site at the business?

The childcare center does not need to be on-site at the business. A childcare center may be located anywhere, provided that the seats are newly created for the use of business employees.

Will my business qualify for the credit if my employees' children are enrolled in an existing childcare center?

To qualify for the credit, the childcare seats must be newly created. If an existing childcare center expands to accommodate employees of a business and that new space is permitted by DOHMH for additional capacity, a business may qualify for the credit based on enrolled children of employees in the new space.

Could a business also qualify for the New York City childcare center property tax abatement?

Yes. The business income tax credit and the childcare center property tax abatement are separate and distinct tax incentives designed to spur action by the private sector in creating new childcare seats. A business that owns property in which they will create new childcare seats for their employees may qualify for both tax incentives. If a business leases space from a property owner and creates new childcare seats for their employees in that space, it may qualify for the business income tax credit while the property owner could qualify for the property tax abatement.

Is the business income tax credit refundable?

Yes.

When do businesses apply and when is the credit applied?

The first application for the credit must be filed by November 1, 2023 for childcare provided during the 12-month period that began on October 1, 2022. Businesses will be notified of the result of their application by January 31, 2024 and can claim the credit on their Tax Year 2023 business tax returns. Subsequent years will have the same time periods. Applications will be available at the NYC DOF Childcare Abatement webpage, <https://www.nyc.gov/site/finance/benefits/group-childcare-abatement.page>.

What information do businesses need to provide with their application?

Businesses must provide the childcare provider's DOHMH permit number and the following information from a certified public accountant:

- Total number of childcare seats that are occupied during the service year upon which the credit is determined
- Of such total number of seats that are occupied, the number which are infant/toddler
- If new childcare: permit issued by DOHMH on or after April 1, 2022
- If expansion of existing childcare: Number of seats in existence before an expansion of an existing childcare center and the number of seats occupied before the expansion, if applicable

Is there a minimum duration in which children must be enrolled?

The credit will be based on childcare seats that are occupied. The application for the credit must include a certification from an independent certified public accountant that contains a calculation of the average daily number of children in attendance on the premises of the new childcare program.

