



# DAVE ARMSTRONG

STATE REPRESENTATIVE • 75<sup>TH</sup> ASSEMBLY DISTRICT

## Testimony on Assembly Bill 660 November 29, 2023

Thank you for the opportunity today to speak on behalf of Assembly Bill 660, which creates an employer childcare program tax credit.

Wisconsin is in the middle of a workforce shortage, and part of the problem is the lack of affordable childcare in many communities. Prospective employees won't accept work if there's no one to watch the kids. When I have discussed this issue with Barron County employers in my capacity as county economic development director, I asked if any would be interested in offering in-house childcare or purchasing slots at outside providers. The response was almost unanimous, but the costs can be significant, which is why I introduced AB 660 to give interested employers an extra incentive.

Under AB 660, a business may claim a tax credit for certain capital expenditures (including mortgages or leases, playground and classroom equipment, and kitchen appliances) for the program, as well as expenses incurred in organizing and administering direct payments to outside providers in the first taxable year. Contributions to a nonprofit 501(c)3 for the purpose of establishing a childcare program for employees' children may also be used for the credit. The maximum credit that could be claimed for these all expenses would be \$100,000.

In addition to the \$100,000 credit, AB 660 creates a maximum \$3,000 *per child* credit for operating expenses, direct payments to outside providers, and administrative costs associated with those direct payments. To ensure that an employer has sufficient skin in the game, the employer's direct payments on behalf of an employee's child must equal or exceed the employee's own payments in order for the employer to claim that portion of the credit.

Assembly Amendment 1 reflects feedback my office received from the Department of Revenue. It updates the effective date, explicitly requires that the childcare services be provided in Wisconsin, clarifies that the credit is refundable, and provides some additional direction as to what operating expenses count toward the \$3,000 credit.

While AB 660 is by no means a magic bullet to solve all of Wisconsin's serious childcare access problems, I do believe that it – as well as the childcare language in Assembly Bill 627 – will provide employers with an incentive to be more aggressive in doing what they can to allay employees' concerns about their children's wellbeing.

Thank you for your consideration. I am happy to hear your feedback and to answer any questions you may have.



**DAN FEYEN**

**STATE SENATOR**

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To: The Assembly Committee on Ways and Means  
From: Sen. Dan Feyen  
Re: Assembly Bill 660

Hello Chairman Macco and members of the committee, thank you for taking the time to hear testimony on AB 660.

This is another bill that aims to tackle Wisconsin's workforce challenges.

Wisconsin is facing rising costs and reduced capacity in our childcare industry. This is putting an incredible strain on working families, putting parents in the position of choosing between dual incomes or sending kids to daycare. Daycare costs are skyrocketing, in many cases families are paying more per year for daycare than they would to send their kids to college.

This isn't just affecting families' pocketbooks, but our economy as well. With less childcare slots available and many parents being priced out of the market, we are losing much needed participants in our workforce.

One way to help address this is to get our business community involved. Businesses across the state have recognized the strain that childcare has put on its employees and have been searching for ways they can help to reduce costs or increase capacity. AB 660 gives businesses a vital tool to help in this mission.

AB 660 creates an employer childcare program tax credit. The bill allows employers to claim up to \$100,000 for capital expenditures in direct payments to outside providers or for establishing their own, in-house, childcare.

AB 660 also allows businesses to claim a credit of up to \$3,000 per child for payments made to an outside provider or an in-house program. In order to qualify for this credit, the business must pay for at least 50% of the childcare expenses for that child. This will help lift an enormous financial burden off the shoulders of these parents, while helping businesses retain their hard working employees.

This bill will also help businesses recruit talent to our great state. AB 660 will give businesses an additional benefit they can offer, help keep both parents in the workforce, help lower family costs on daycare, and increase childcare capacity throughout the state.

Thank you very much for taking the time to hold a public hearing on this bill.



Testimony on Assembly Bill 660 before the  
**Assembly COMMITTEE ON Ways and Means**  
November 29, 2023

*Wisconsin Economic Development Association*

Good morning, Chairman Macco and members of the committee. My name is Michael Welsh, and I serve as the Legislative Affairs Director for the Wisconsin Economic Development Association (WEDA). Thank you for the opportunity to testify today in favor of Assembly Bill 660. This proposal will create a refundable tax credit to incentivize employers to provide childcare benefits for their employees. The bill will help address the lack of access to childcare in Wisconsin, which is an obstacle to strengthening the state's workforce.

I would like to thank Chairman Macco for holding a public hearing on AB 660, as well as Rep. Armstrong and Sen. Feyen for introducing this bill. WEDA is grateful for their work to increase access to affordable childcare for Wisconsin working families through this exciting public-private partnership initiative.

By way of background, WEDA is a statewide association representing over 400 public and private sector economic development professionals. We are dedicated to advancing economic prosperity in Wisconsin and providing our members with the necessary tools to encourage business expansion, promote private investment, and attract much-needed talent to the state. And over the last several years, childcare has quickly become a top economic development issue for our members.

Employers across Wisconsin are facing unprecedented hiring challenges, as many workers are choosing to remain out of the workforce. While there are numerous reasons for this, one key factor is the lack of access to affordable childcare. While childcare remains an important family issue, it is also a growing business issue. It plays a major role in employment decisions made by families, and as a result has a significant impact on employers and the bottom line of businesses.

In fact, a recent childcare and the workforce analysis compiled by the Wisconsin Economic Development Institute (WEDI) and Baker Tilly reported that 80% of Wisconsin employers believe the economy is impacted by the availability of affordable childcare. In addition, 73% of businesses believe that without greater access to childcare, Wisconsin employers will face workforce shortages now and in the future. The report found another 64% of businesses said it is important for them to support childcare for their employees.

By creating a business childcare tax credit, AB 660 will forge an effective public-private partnership by incentivizing businesses to offer childcare benefits for their employees. With 50% of Wisconsin residents living in childcare deserts – and up to 80% in rural communities – it is critical for policymakers to provide the private sector with the necessary tools to increase access to childcare and help address the workforce shortage.

In closing, AB 660 represents a creative approach to the state's childcare challenges. The refundable tax credit established by the bill will encourage employers to offer childcare benefits for their workers, helping to knock down a key obstacle to employment and strengthening workforce participation and employee productivity, which is essential to growing the economy.

As such, I would request your support for AB 660 and ask that you pass it out of committee as soon as possible.

Thank you for your consideration.

# WMC

Wisconsin's Chamber

**TO:** Members, Assembly Committee on Ways and Means

**FROM:** Evan Umpir, Director of Tax, Transportation & Legal Affairs  
Rachel Ver Velde, Senior Director of Workforce, Education & Employment Policy

**DATE:** November 29, 2023

**RE:** Support for AB 660, relating to creating a tax credit for employer childcare programs

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Wisconsin Manufacturers & Commerce (WMC) appreciates the opportunity to testify in support of Assembly Bill 660. WMC thanks Representative Armstrong and Senator Feyen for authoring this legislation that will help employers implement childcare programs.

WMC is the largest general business association in Wisconsin, representing approximately 3,800 member companies of all sizes, and from every sector of the economy. Since 1911, our mission has been to make Wisconsin the most competitive state in the nation to do business. That mission includes making sure Wisconsin has an active and robust workforce.

Unfortunately, employers in Wisconsin have severe worker shortages and an inability to fill key positions. **According to WMC's most recent *Wisconsin Employer Survey* conducted in June 2023, the biggest challenge facing Wisconsin employers is the workforce shortage, with 75% of employers indicating that they are struggling to hire workers.** Access to affordable childcare is sometimes a barrier for individuals to enter or return to the workforce. Wisconsin's labor participation rate is currently 65.8%. That is higher than the national labor force participation rate which is 62.7%, but it is significantly lower than Wisconsin's peak rate of 74.5%. While there are many factors that contribute to the labor force participation rate, expanding the overall labor pool will help alleviate some of the pressure on employers.

Employers have started to take the lead and work with their employees to provide benefits to help with the cost of childcare. Having an employer tax credit for operating an in-house childcare program or making payments to a childcare provider on behalf of an employee will incentivize additional employers to take this important step. **AB 660 is important because it helps employers of all sizes take advantage of programs to help their employees find childcare.** Due to their size, some smaller employers are not able to open an in-house childcare facility. That is why WMC is happy to see the tax credit apply towards payments to providers as well.

**Nineteen states have some form of an employer-provided or paid-for employee childcare credit in addition to the federal employer-provided childcare credit.<sup>1</sup>** The credit varies in structure and amount in each state, but the common themes across these states are all included in Wisconsin's credit: establishment, operation, and payment to/on behalf of an employee. AB 660,

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<sup>1</sup> Arkansas; Colorado; Connecticut; Georgia; Illinois; Iowa; Kansas; Louisiana; Maryland; Mississippi; Nebraska; New Mexico; New York; Oregon; Rhode Island; South Carolina; Virginia; West Virginia; Kentucky.

like at least eight other states, includes credit for establishing a childcare program; this will **help lessen impact of high start-up costs of a new program and/or constructing a facility**. Ten other states also provide credit for the costs associated with operating a facility; most are percentage based, but South Carolina's credit includes a limitation of \$3,000, similar to AB 660, **making ongoing operations sustainable for employer-operated programs**. Lastly, many of these states allow a credit for the purchase of slots at a third-party provider for employees' children, direct payments to a provider on behalf of an employee, or payments to an employee for childcare expenses, another common element included in AB 660, which **provides employers flexibility to best support their employees and fit the business' situation**. Another key element that will make Wisconsin's credit stand out among other states' credits is refundability. **Refundability will allow businesses to take that credit and reinvest in their childcare operations, employee wages or other benefits, or other investments to grow their Wisconsin business**. Louisiana's credit is also refundable.

In addition to the 19 states that already have an existing credit (red and blue states alike), an additional seven states, including Wisconsin, have introduced legislation to create a credit to incent employers to provide or otherwise pay for childcare services for employees; among these states are bipartisan efforts in Alabama and Indiana and a Democrat-led effort in Hawaii.<sup>2</sup> **Bottom line, this tax policy has support and growing popularity across the country and across the political spectrum because it is a win-win for parents and employers and a factor in workforce participation.**

When the worker shortage is as challenging as the current environment, employers need every tool in the toolbox to attract and retain workers. **Assembly Bill 660 allows employee childcare programs to be more economically feasible for employers throughout Wisconsin**. WMC urges members of the Assembly Committee on Ways and Means to support this important piece of legislation.

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<sup>2</sup> Alabama; Indiana; Hawaii; Minnesota; Missouri; Oklahoma; Wisconsin.



## MEMO

DATE: November 29, 2023  
TO: Assembly Committee on Ways and Means  
FROM: Alex Ignatowski, Director of State Budget and Government Reform  
RE: IRG Action Support for AB 660: Creating an Employer Child Care Tax Credit

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Chairman Macco and Committee Members, thank you for allowing me this opportunity to testify in support of Assembly Bill 660.

Wisconsin families are facing a child care crisis; parents across the state are unable to find child care, let alone at an affordable price. The reason is simple economics - demand is higher than supply, driving costs higher than what an average family is willing to pay or able to afford. For the almost [300,000 kids](#) in need of child care in Wisconsin, there are only 171,000 slots available. According to [Forward Analytics](#), the average cost of child care in Wisconsin is between 18% and 36% of a median family's income. The problem is clear: child care is hard to find and too expensive for Wisconsin families.

Employers realize that child care has become a major reason for staffing and labor shortages. In response, some employers are now offering on-site child care or contracting with existing child care providers to make sure slots are open for their employees. Spurred by necessity, these employers are now taking advantage of [federal tax credits](#) designed to encourage this employer sponsored benefit. Wisconsin can do more to help these employers that are stepping in to meet the need. By creating a child credit here, we will further incentivize businesses around the state to create, maintain, or expand child care programs for their employees.

Assembly Bill 660 would create a tax credit for employers that offer a child care program for their employees. Employers that operate a child care facility, administer a child care program, or contract for child care services would be eligible to receive a refundable tax credit up to \$100,000 for the initial implementation of a child care program. Ongoing expenses of an employer sponsored program would then be eligible for a tax credit of \$3,000 per child in the program. This legislation is not a silver bullet to solve the broader issues with child care in Wisconsin, but it takes a positive step in creating an incentive structure that will increase access to child care for average working families.

Wisconsin is not alone in these efforts, child care is a topic at the top of the list for many states. In a [2021 report](#) commissioned by Iowa Governor Kim Reynolds, the Child Care Task Force recommended legislation that would create a child care tax credit for employers similar to the [federal 45F child care tax credit](#). The 45F tax credit allows for employers to claim a 25% credit on qualifying expenses and is capped at \$150,000. The credit is nonrefundable, but claimants are able to carry expenses forward for 20 years.



Earlier this year, Iowa passed bipartisan legislation that mirrored the 45F credit. The vote was [49-0 in the Senate](#) and [86-13 in the House](#). In doing so, they streamlined this credit for employers who are already familiar with 45F. Part of this may be owed to the fact that the 45F tax credit is a bipartisan achievement out of congress. In fact, there is [bipartisan legislation in Congress](#) right now to expand the 45F credit; increasing the credit to 50% and the cap to \$500,000.

Wisconsin cannot afford to do nothing when it comes to child care. If we want parents back in the workforce, then we need to find ways to encourage employers to make child care available and more affordable for working families. Assembly Bill 660 does that. I respectfully ask for your support of this important legislation.



Public Testimony  
AB 660  
Committee on Ways and Means

The state of Wisconsin faces a child care predicament similar to the rest of the United States. There is a deficient of child care facilities, be it in-home child care centers or larger establishments, such that our workforce is negatively impacted. In an effort to address the broken business model of the child care industry which has been a problem for decades, federal Covid one-time monies were allocated to a Child Care Counts program that provided subsidies to shore up the failing industry.

Unfortunately, these subsidies were only a temporary stopgap measure that did not address the true problem, and have created a backlash of a severe financial cliff once the one-time monies are expended—which will be occurring in January 2024. The governor has recently allocated 170 million to backfill the Child Care Counts subsidy program; however, once again this is not a sustainable solution to the underlying problems that face the child care industry.

Addressing the problem will not be a single solution that will magically fix the industry. It will take several approaches to address the failings of this industry. The Assembly recently passed six child care bills that can be a part of the solution. However, more is yet needed to be accomplished to fully address the problem. AB 660 is another part of the solution as the need to involve the private sector is an absolute requisite.

Private employers have a vested interest in attracting and retaining workers. Employers are familiar with the need to provide incentives to attract and retain workers. Many employers offer various kinds of benefits to accomplish their recruiting/retention goals. AB 660 incentivizes businesses to offer child care assistance as one of the benefits to their employees by providing a tax credit to those businesses that make such an effort. AB 660 does not provide enough of a tax credit to fully support an employer directed child care assistance program, but does deliver enough of an incentive that the private employer with additional company resources can offer employees a benefit that has the potential to attract and retain the workforce needed.

Mr. Chairman and committee members, I support AB 660 which encourages a public-private partnership that provides a reasonable and sustainable solution to help in the solving of the child care dilemma.



November 28, 2023

To: Assembly Committee on Ways & Means

From: Eau Claire Area Chamber of Commerce

Re: Assembly Bill 660

The Eau Claire Area Chamber of Commerce has served our community since 1915 as the advocate of business. We have about 1,100 investorgorganizations who employ more than 45,000 individuals throughout the Eau Claire area. We work to represent the business community as a champion of a strong local and regional economy.

The Eau Claire Chamber supports AB 660, creating a new tax credit program for employers to facilitate childcare for their employees. The following excerpt is from the Chamber's 2023 Business Issues Agenda as it relates to childcare:

The availability and affordability of childcare has become an increasingly acute issue for employers, families, and childcare providers. This has inhibited the ability of families to take full advantage of employment opportunities and for employers to have full access to the potential talent pool. The Chamber supports meaningful public policy solutions to address specific workforce challenges, including:

- Childcare availability and affordability for working parents: There is an urgent need for innovation on the part of the state to address the funding, business model, and regulatory oversight of early childhood care and education in ways that will effectively deal with availability, affordability, and accountability for quality and safety. This by necessity must address the business model for childcare providers, especially in their ability to attract and retain motivated, high quality staff.

The program created by AB 660 provides the kind of innovation and support that we envision is needed to address the childcare issue. Employers have a strong interest in providing more options for their employees, and this bill provides a pathway to be able to support programs in their communities that will address current needs. It also provides flexibility in creating local solutions, whether supporting existing options or creating new employer-sponsored programs.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott Rogers".

Scott Rogers  
Vice President Governmental Affairs  
Eau Claire Area Chamber of Commerce

Reply to: [rogers@eauclairechamber.org](mailto:rogers@eauclairechamber.org) 715-858-0616

Dear Members of the Assembly Committee on Ways and Means:

We are grateful for the opportunity to provide testimony in support of Assembly Bill 660, which provides tax credit opportunities for employer childcare programs.

VARC is a non-profit disability service provider headquartered in Viroqua, Wisconsin. We serve the southwest and southcentral areas of the state including La Crosse, Viroqua, Richland Center, Reedsburg, Baraboo, Mauston, Portage, Sparta, and surrounding communities. Annually, our staff of 195 serve approximately 900 children and adults with disabilities through a variety of employment and day programs.

We have always considered ourselves innovators, responding to community needs as they arise. The childcare crisis has persisted in many of the communities we serve, and when we saw an opportunity to respond to this need, we took it upon ourselves to acquire and re-open a closing childcare center. In partnership with a local healthcare system, funding was provided to VARC, which in turn was used to significantly increase Teacher wages at our licensed inclusive center, which serves 62 children with and without disabilities, ages 6 weeks to 6 years. In return, that business has designated childcare slots that are reserved for its employees. This partnership was developed through well-established relationships, trust, and a lot of risk-taking. The results were immediate. We were fully staffed, with high quality Teachers, and received more applicants than positions we had open. While it has been incredibly helpful in launching a high quality childcare program, the model of business-funded childcare programming has a long road ahead to be found credible enough for others to participate.

The proposed AB 660 would highly incentivize other businesses, both large and small, to invest in local childcare programs and build long-term partnerships that simply make good business sense. In our model, our partner business has already seen improvement in their recruitment and retention of employees through investing in our childcare. These business investments improve the quality of care for children, allow for building improvements to ensure safety of care, and can help ensure Teacher shortages become a thing of the past.

As we consider expanding our childcare operations into other locations and communities, it will be critical for businesses to be motivated to invest in partnerships such as the one we developed in La Crosse. This model can and does work, and AB 660 will help support the establishment of a new system of childcare-business partnerships that can reshape and improve childcare services for kids across Wisconsin.

Thank you for the consideration of this bill.

With gratitude,



Elizabeth Filter, President/CEO



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**TO: Assembly Committee on Ways and Means**  
**FROM: Paul Rozeski, Director of Government Affairs & Member Relations,**  
**WPT**  
**Date:** November 29, 2023  
**RE:** Assembly Bill 660

Good afternoon, Chairman Macco, Vice Chairman Brooks, and members of the committee. Thank you for allowing me to submit testimony in favor of Assembly Bill 660. Thank you, as well, to Representative Armstrong for authoring this proposal.

Wisconsin is well above the national average for dual income households. We rank seventh in the nation with 72% of families having both parents in the workforce, which makes the demand for childcare a very important component of our economy.

In a presentation to the Wisconsin Economic Development Corporation earlier this year, Department of Revenue Head Economist John Koskinen gave a brief SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis of Wisconsin's Economy. The fact that the childcare industry has not recovered from Covid is one of his top three threats to Wisconsin's economy.

We recognize that Assembly Bill 660 can help strengthen our economy in multiple different ways:

- 1) For a company to launch an entirely new, highly regulated enterprise outside of it's primary industry is a risk. This will slightly help mitigate the facilities startup costs.
- 2) Increasing the supply of available childcare will help alleviate overall demand. Corporations starting a daycare will only open this "can of worms" if childcare has become an obvious concern for their business, which means availability is already scarce in their community.
- 3) This will create new employment opportunities, and job creation helps strengthen the economy.

It is through efforts like this that businesses are encouraged to tap into their resources and establish new initiatives.

We see the opportunity for this legislation to be a net benefit for Wisconsin and urge the members of this committee to recommend passage.

**Paul Rozeski**

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