

INVEST HAMILTON COUNTY

Childcare 101

An Employer's Guide to Supporting Working Families

A practical playbook for Hamilton County businesses ready to address the childcare challenge—with strategies that strengthen your workforce, your bottom line, and your community.

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SECTION 01

Why Childcare Is a Workforce Issue

Childcare isn't just a family issue—it's a business issue. When employees can't find reliable, affordable care for their children, employers feel the impact through absenteeism, turnover, reduced productivity, and constrained talent pools.

18%

OF NON-WORKING PARENTS CITE CHILDCARE AS THEIR PRIMARY BARRIER TO EMPLOYMENT

13–16

WORKDAYS MISSED PER YEAR BY PARENTS WITHOUT RELIABLE CARE

213%

OF SALARY: THE AVERAGE COST TO REPLACE A PARENT WHO LEAVES DUE TO CHILDCARE

The national childcare system was already strained before the pandemic. Post-COVID, the situation intensified: childcare costs rose 14%, and the childcare workforce remains 6% below pre-pandemic levels. Nationally, employers lose an estimated \$82 billion annually in productivity due to childcare breakdowns.

THE ADOPTION GAP

Only **12% of U.S. workers** have access to employer-provided childcare benefits—dropping to **6% for lower-income and part-time workers**. Meanwhile, 88% of women say childcare benefits significantly influence their decisions to join or stay at a company. Employers who act now gain a genuine competitive advantage.

SECTION 02

The Hamilton County Landscape

Hamilton County's rapid growth compounds the childcare challenge. Research shows that over **40% of suburban census tracts** nationally qualify as childcare deserts—areas with more than three children under five for every licensed childcare slot. Fast-growing suburban counties like Hamilton County are particularly susceptible.

State Funding in Crisis

Indiana's childcare infrastructure is under strain at the state level:

- **CCDF vouchers are frozen.** Approximately 29,000 children are on the waitlist, with no new vouchers expected until 2027.
- **Income eligibility was reduced** from 150% to 135% of the federal poverty level for new applicants.
- **Provider reimbursement rates were cut 10–35%** in October 2025, discouraging providers from accepting vouchers.
- **The statewide CCR&R network was sunset** in October 2025. Child Care Answers, which directly served Hamilton County families, lost its state contract.

WHAT THIS MEANS FOR EMPLOYERS

With public childcare support contracting, the burden is increasingly falling on **employers and the private sector** to fill the gap. The good news: new federal tax incentives (effective 2026) make employer investment in childcare more affordable than ever, and Hamilton County's concentrated employer base creates opportunities for collaboration.

The ALICE Gap

Many Hamilton County working families earn too much to qualify for state assistance but too little to comfortably afford \$15,000–\$25,000+ in annual childcare costs. These are **ALICE families** (Asset Limited, Income Constrained, Employed)—your cashiers, healthcare aides, administrative staff, and early-career professionals. Employer-supported childcare benefits directly serve this population.

SECTION 03

The Business Case: ROI by the Numbers

Childcare benefits aren't just the right thing to do—they deliver measurable returns.

Return on Investment

SOURCE	FINDING
BCG & Moms First (2024)	90%–425% ROI across industries, for both salaried and hourly workers
Vivvi & The Fifth Trimester	18x return for every \$1 spent on childcare benefits
J.P. Morgan & Patagonia	115%–125% ROI from childcare programs
UPS pilot program	Retention jumped from 69% to 96% with on-site daycare

Retention & Recruitment

86%

OF PARENTS MORE LIKELY TO STAY WITH AN EMPLOYER OFFERING CHILDCARE BENEFITS

60%

REDUCTION IN TURNOVER REPORTED BY COMPANIES WITH CHILDCARE BENEFITS

56%

OF NON-WORKING PARENTS WOULD RETURN TO FULL-TIME WORK WITH AFFORDABLE CARE

THE COST OF INACTION

- Employers lose an estimated **\$9,000+ per working parent per year** due to care disruptions
- **57% of caregivers** considered leaving the workforce in 2024
- Retaining as few as **1% of eligible employees** can cover the cost of childcare benefits for all eligible workers
- The Bipartisan Policy Center estimates childcare gaps could cost the U.S. economy **\$329 billion over the next decade**

SECTION 04

Benefit Options at a Glance

Employers have a spectrum of options, from low-cost immediate actions to strategic long-term investments. The table below summarizes the core categories.

STRATEGY	DESCRIPTION	RELATIVE COST	IMPACT
Dependent Care FSA	Pre-tax payroll account for childcare expenses (up to \$7,500 in 2026)	Low (saves employer FICA)	Medium
Flexible Work	Remote work, flex schedules, compressed weeks	Minimal	High
Resource & Referral	Help employees find quality providers; include in EAP	Low	Medium
Backup Childcare	Emergency care when regular arrangements fail	Moderate (\$1K–\$2K/employee/yr)	High
Direct Subsidies	Monthly stipend or reimbursement toward care costs	Moderate–High	High
Reserved Slots	Contract with local centers for guaranteed employee spots	Moderate–High	Very High
Employer Consortium	Multiple employers share a near-site facility (new under 2026 law)	High (shared)	Very High
On-Site Facility	Employer-operated childcare at the workplace	High	Very High

START WHERE YOU ARE

You don't need to build a childcare center to make a difference. The most impactful first steps—enhancing your DCFSA, formalizing flex work, and adding backup care—are achievable for employers of any size and budget.

SECTION 05

Dependent Care FSAs (DCFSA)

A Dependent Care FSA allows employees to set aside pre-tax payroll dollars to pay for eligible childcare expenses. It's one of the simplest and most cost-effective childcare benefits an employer can offer.

2026 Changes

The **One Big Beautiful Bill Act** (signed July 4, 2025) raised the DCFSA contribution limit for the first time since 1986:

FILING STATUS	2025 LIMIT	2026 LIMIT
Married filing jointly / Single HOH	\$5,000	\$7,500
Married filing separately	\$2,500	\$3,750

How It Works

- Must be offered through your company's Section 125 (cafeteria) plan
- Contributions are deducted pre-tax from each paycheck
- Funds become available as contributed (not front-loaded like a healthcare FSA)
- **Use-it-or-lose-it:** Unspent funds are forfeited (employers may offer a 2.5-month grace period)
- Both spouses must be working, in school, or seeking employment; child must be under 13

Why Employers Should Care

EMPLOYER FICA SAVINGS

Employers save 7.65% in FICA taxes on every dollar employees contribute to a DCFSA. For a company with **100 employees each contributing \$5,000**, that's **\$38,250 in annual employer savings**—and the benefit costs essentially nothing to offer.

Employer To-Do List for 2026

1. **Amend your Section 125 plan document** by December 31, 2026 to adopt the \$7,500 limit
2. **Coordinate with your FSA administrator** to update enrollment systems
3. **Communicate the higher limit** during open enrollment—only 30–40% of eligible employees currently enroll
4. **Review nondiscrimination testing:** The increased limit may affect the 55% Average Benefits Test if lower-paid employees opt for the Child and Dependent Care Tax Credit instead

SECTION 06

The Section 45F Tax Credit

The **Employer-Provided Child Care Credit** (IRC Section 45F) is the most significant federal incentive for employers investing in childcare. It was dramatically expanded effective January 1, 2026.

What Changed

FEATURE	PRIOR LAW (2024–2025)	NEW LAW (2026+)
Credit rate (facility expenses)	25%	40% (50% for small businesses)
Credit rate (R&R expenses)	10%	10%
Maximum annual credit	\$150,000	\$500,000 (\$600,000 for small businesses)
Inflation indexing	No	Yes
Employer consortiums	Not allowed	Allowed
Third-party intermediaries	Not covered	Covered

Who Qualifies as a "Small Business"?

Employers with five-year average annual gross receipts below approximately \$31–\$32 million. These businesses receive the enhanced 50% credit rate and \$600,000 maximum. **Most Hamilton County employers qualify.**

What Expenses Qualify

- Acquiring, constructing, or expanding a childcare facility
- Operating a childcare facility (staff compensation, training, scholarships)
- Contracting with a licensed provider to reserve slots for employees' children

- **New:** Contracting with third-party intermediaries that arrange care
- **New:** Jointly operated facilities (employer consortiums)
- Childcare resource & referral services (10% credit)

EXAMPLE: SMALL EMPLOYER (50 EMPLOYEES)

You contract with a local childcare center to reserve 10 slots at \$12,000/year each = \$120,000 total. At the **50% small-business credit rate**, you receive a **\$60,000 tax credit**. Your net cost: \$60,000—or just \$6,000 per reserved slot per year.

How to Claim

- File **IRS Form 8882**
- Maintain documentation: contracts, invoices, proof of provider licensing
- Credit is nonrefundable; unused amounts carry forward under the general business credit (IRC §38)
- **Recapture rule:** If a childcare facility is disposed of within 10 years, a portion of the credit is recaptured

Important: The Section 45F credit and DCFSA are **complementary**. You can claim 45F for your employer-side childcare expenditures while simultaneously offering a DCFSA for employees' pre-tax contributions.

SECTION 07

Backup Childcare Programs

Backup care is the **highest-impact, moderate-cost benefit** most employers can implement quickly. It addresses the number-one pain point for working parents: what happens when regular care falls through.

How It Works

1. Employer contracts with a backup care provider
2. Each employee receives a set number of backup care days per year (typically 10–20)
3. When care is needed, the employee contacts the provider via app or phone
4. Care is arranged: in-center, in-home, or reimbursement for personal network
5. Employee pays a subsidized co-pay (\$10–\$25/day); employer covers the rest

Delivery Options

TYPE	HOW IT WORKS	BEST FOR
In-center	Drop off at a partner childcare center	Planned or day-before notice
In-home	Caregiver comes to the employee's home	Same-day needs, sick children
Personal network	Employee uses a trusted caregiver and submits for reimbursement	Maximum flexibility

Major Providers

PROVIDER	KEY FEATURES
Bright Horizons	Largest network; in-center + in-home; includes eldercare backup
Care.com for Business	Tech-forward platform; broad caregiver network
KinderCare	1,500+ center locations; customized employer solutions
Upwards	Focus on flexibility; works well for hourly/shift workers

Cost

- Typically **\$1,000–\$2,000 per participating employee per year**
- Most programs see 20–30% utilization rates, reducing average per-employee cost
- May qualify for the **Section 45F credit** (40–50%), reducing net cost to \$500–\$1,000
- Final Treasury guidance on backup care qualification under 45F is expected by April 2026

SECTION 08

Childcare Subsidies & Stipends

Direct Childcare Stipends

Some employers provide a monthly stipend (\$200–\$500/month) toward childcare costs. This is a straightforward approach that gives employees flexibility in choosing their own provider. Stipends can be targeted to specific roles with the highest turnover risk or offered broadly.

The Tri-Share Model

Pioneered in Michigan and now active in Indiana, the Tri-Share model splits childcare costs three ways:



Results from Michigan

- 195 employers and 351 providers participating as of early 2024
- Average family childcare payments reduced from \$716/month to \$252/month (65% reduction)
- 97% of families reported improved financial stability
- Targets ALICE families (200–400% FPL): too high for subsidies, too low to afford care

Indiana Activity

- **Noble County** launched Indiana's first county-led Tri-Share pilot in late 2022 using \$50,000 in county economic development funds
- **NEIECC** launched Tri-Share+ across 11 northeast Indiana counties
- A "**Co-Share**" model (employer + employee only) is available where public funding isn't

OPPORTUNITY FOR HAMILTON COUNTY

Hamilton County could pursue a county-led Tri-Share pilot, with Invest Hamilton County potentially serving as a coordinator. Even without public funding, a two-way Co-Share model between employer and employee can be implemented immediately.

SECTION 09

Shared Facilities & Employer Consortiums

The 2026 expansion of Section 45F introduced a game-changing provision: **multiple employers can now jointly own or operate a childcare facility** and each claim their proportional share of the tax credit.

How a Consortium Could Work

1. A group of Hamilton County employers (e.g., 3–8 companies along the US-31/Meridian corridor) forms a partnership or LLC
2. The consortium contracts with a licensed childcare operator to run a shared near-site facility
3. Each employer's share of operating costs qualifies for the 45F credit (40–50%)
4. Employees from participating companies receive priority enrollment

Example

CONSORTIUM SCENARIO

Four mid-size employers each contribute \$75,000/year to a shared childcare facility = \$300,000 total annual operating cost. Each employer claims a **40% credit = \$30,000 tax credit**, reducing their net contribution to **\$45,000 per employer**. Small-business employers receive the 50% credit, bringing their net to just \$37,500.

Why Hamilton County Is Well Positioned

- **Geographic concentration:** Major employers clustered along US-31, I-69, and 146th Street corridors
- **Existing economic development infrastructure:** Invest Hamilton County can serve as a convener and coordinator
- **Shared workforce:** Many Hamilton County employers compete for the same talent pool
- **Community benefit:** A consortium facility can also serve the broader community, expanding childcare capacity

SECTION 10

Indiana Programs Your Employees Should Know

Even though state-level support is constrained, there are still programs your employees may be eligible for. Include this information in your benefits communications.

CCDF Childcare Vouchers

DETAIL	INFORMATION
Income eligibility	At or below 135% FPL (\$43,403/year for family of four)
Current status	Waitlist in effect; ~29,000 children waiting; no new vouchers until 2027
How to apply	Early Ed Connect online portal
Contact	OECOSL: 800-299-1627

On My Way Pre-K

DETAIL	INFORMATION
Eligibility	Income at or below 140% FPL; child turning 4 by August 1
Activity requirement	Parent must be working, in school, or in job training
Benefit	Up to \$6,800 per child for the pre-K year
How to apply	Early Ed Connect portal; limited to 2,500 children statewide

Child and Dependent Care Tax Credit (Employee-Side)

Your employees may be eligible for a federal tax credit of 20–35% of qualifying childcare expenses (up to \$3,000 for one child or \$6,000 for two or more). This is claimed on the employee's personal tax return and is **separate from and compatible with** the DCFSA.

HELP YOUR EMPLOYEES KNOW THEIR OPTIONS

Many employees are unaware of the programs available to them. Use the **employee-facing flyers** included with this guide to communicate these options during onboarding, open enrollment, or benefits fairs.

SECTION 11

Getting Started: An Action Timeline

Tier 1: Low-Cost, Immediate Actions (Any Employer Size)

Start here. These actions cost little or nothing and can be done now.

1. **Offer or enhance a DCFSA.** Update to the \$7,500 limit for 2026. Educate employees—only 30–40% currently enroll where offered.
2. **Formalize flexible work arrangements.** Remote work, flex scheduling, and compressed work week policies help parents manage care logistics at no direct cost.
3. **Include childcare R&R in your EAP.** Ensure your Employee Assistance Program includes childcare referral services. This qualifies for the 10% Section 45F credit.
4. **Survey employees on childcare needs.** Understand the scope of the challenge before investing.

Tier 2: Moderate Investment (50–500 Employees)

High-impact benefits with manageable cost, especially after 45F credits.

1. **Contract for backup childcare.** Partner with Bright Horizons, Care.com, or KinderCare. Start with 10–15 days per employee. Net cost after 50% credit: \$500–\$1,000/employee/year.
2. **Offer a direct childcare stipend.** \$200–\$500/month toward care costs, targeted to roles with highest turnover risk.
3. **Explore Tri-Share or Co-Share models.** Contact NEIECC about expanding to Hamilton County.

Tier 3: Strategic Investment (Large Employers or Consortiums)

Transform your community's childcare landscape.

1. **Reserve slots at local childcare centers.** Contract with licensed Hamilton County providers for guaranteed employee spots.
2. **Form an employer consortium.** Partner with neighboring businesses to share a near-site facility. The 2026 law now allows joint 45F credit claims.
3. **Build on-site or near-site childcare.** The ultimate benefit: 50% tax credit on facility and operating costs, up to \$600,000.

Key Dates

Now

Survey employees on childcare needs. Review current benefit offerings. Share this guide and the employee flyers.

April 2026

Treasury guidance expected on backup care and intermediary qualifications under Section 45F.

2026 Tax Year

First year the enhanced 45F credit (40–50%, up to \$500K–\$600K) is available. Claim for any qualified childcare expenditures.

By December 31, 2026

Amend Section 125 plan documents to adopt the \$7,500 DCFSA limit.

2026–2027

Explore employer consortium models for shared childcare facilities along major Hamilton County employment corridors.

SECTION 12

Resources & Contacts

Key Contacts

OECSL Childcare Support Line

800-299-1627
Indiana's primary childcare referral point

Child Care Answers

317-636-5727 / childcareanswers.org
Hamilton County provider support

Indiana 2-1-1

Dial 2-1-1 or visit in211.org
General family resource referral

Early Ed Connect

Online portal via FSSA
CCDF & On My Way Pre-K applications

Backup Care Providers

Bright Horizons

brighthouse.com/employers

KinderCare for Employers

kindercare.com/employer-sponsored-child-care

Care.com for Business

care.com/benefits

Upwards

upwards.com

Tax Credit & Policy Resources

IRS Section 45F Credit

IRS Form 8882 • irs.gov

45F Tax Credit Calculator

45f.org

MI Tri-Share (Model Reference)

mitrishare.org

NEIECC Tri-Share+ (NE Indiana)

neiecc.org

Further Reading

- Bipartisan Policy Center: "What Is the 45F Credit?" — bipartisanpolicy.org

- U.S. Chamber Foundation: "Childcare Innovation Through Public-Private Partnerships" — uschamberfoundation.org
- BCG: "Childcare Benefits Pay for Themselves" (March 2024) — bcg.com
- Brighter Futures Indiana — brighterfuturesindiana.org

Ready to Get Started?

Invest Hamilton County is here to help local employers navigate childcare solutions that fit your business, your budget, and your workforce.

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This guide is provided for informational purposes and does not constitute legal or tax advice.

Consult your tax advisor or legal counsel regarding specific benefit programs and tax credits.

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