

**MELA**  
MISSISSIPPI EARLY LEARNING ALLIANCE



# MISSISSIPPI CHILD CARE BUSINESS TAX CREDIT

**& EMPLOYEE CHILD CARE STIPEND**

*Why Should You  
Participate?*

*How To Qualify*

*Ways To Claim*

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## ABOUT THIS RESOURCE GUIDE

This resource was created to aid Mississippi businesses who wish to take advantage of the update to the Mississippi Economic Development Reform Act passed by the Mississippi Legislature in 2023. This update, called the Mississippi Business Child Care Tax Credit, increases and expands the tax credit available to businesses who offer child care to their employees. While a small number of businesses currently utilize this credit to operate their on-site childcare centers, there is also a simple provision that allows businesses to provide employees with a stipend to offset their childcare costs at a licensed childcare program. Yet, as of publication, no businesses have taken advantage of this provision.

We wondered why more businesses were not leveraging this credit, especially when 44% of Mississippi Economic Council business members surveyed cited child care as the most pressing issue for their staff. MELA created a one-page explanation of the tax credit in 2023. Still, we realized it lacked the reach and clarity needed to help employers fully utilize it. We sought to address this issue, since offering a child care stipend is a valuable employee retention incentive and reduces the out-of-pocket cost of care for families.

Considering that child care for a Mississippi family with two children can cost more than housing, and annual tuition for infant care exceeds that of many Mississippi community colleges, this is no small benefit. Employers who leverage this tax credit as a stipend will improve employee retention and experience additional cost savings through reduced employee absences.

We hope this resource will increase the number of businesses taking advantage of this tax credit and, as a result, lower the out-of-pocket childcare costs for many Mississippi families.



## CREDITS

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## ACKNOWLEDGEMENTS

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We appreciate the time that Jan Davis and staff at the Mississippi Department of Revenue took to explain what would be needed to claim this tax credit. We also are thankful that they took time to review the final resource for accuracy.

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## WHY SHOULD YOU PARTICIPATE IN THE CHILD CARE BUSINESS TAX CREDIT?

### TAX SAVINGS

Businesses can receive a tax credit of up to 50% of their qualified child care expenditures.

### EMPLOYEE RETENTION & PRODUCTIVITY

Access to reliable child care is a significant factor in employee satisfaction and retention. By supporting your employees' child care needs, you can reduce absenteeism, enhance productivity, and create a loyal and motivated workforce.

### COMMUNITY IMPACT

By participating in this program, your business will contribute to the broader goal of improving early childhood education and care in Mississippi. High-quality child care is crucial for the development of our future workforce, and your involvement will have a lasting positive impact on the community.


## WHAT IS THE MISSISSIPPI BUSINESS TAX CREDIT?

The Mississippi Child Care Business Tax Credit is a state incentive that offers tax credits to businesses that provide financial support for their employees' child care services. This credit aims to alleviate the burden of child care costs for working parents and encourage employers to invest in the well-being of their employees' families.

## HOW TO QUALIFY

To take advantage of the Mississippi Child Care Business Tax Credit, your business must:

- Be located in Mississippi
- Provide financial support for child care services through direct expenditures or subsidies for employees.
- Ensure that the child care services are provided by licensed and accredited child care facilities.



# CLAIM THE CHILD CARE BUSINESS TAX CREDIT AS EMPLOYEE STIPEND FOR CHILD CARE

*See below for detailed information  
about how to claim this credit*

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## **When to choose this:**

If your employees have access to child care but the cost exceeds their ability to pay for care, the Employee Stipend is likely the best way to leverage this tax credit.

## **Credit Amount:**

An employer can claim 50% of expenditure, with a max expenditure per employee of \$6,000 per year.



## **How to Claim this Credit:**

- Collect necessary information about your employee's child care provider.
- Keeping a spreadsheet with records of this information and also of expenses.
- Remitting monthly or annual payment to your employee's child care provider.
- Submitting the recording spreadsheet to the Department of Labor with your tax documents in order to claim the credit.

# HOW TO CLAIM THE TAX CREDIT AS AN EMPLOYEE STIPEND

## PLANNING AND PREPARATION

If your employees have access to child care, then a stipend to offset the cost may be the best way for your business to leverage this credit.



### DECISIONS TO MAKE

#### How much money will you allocate toward this?

How much is your estimated tax burden? Can you allocate additional resources beyond the tax burden as an employee benefit?



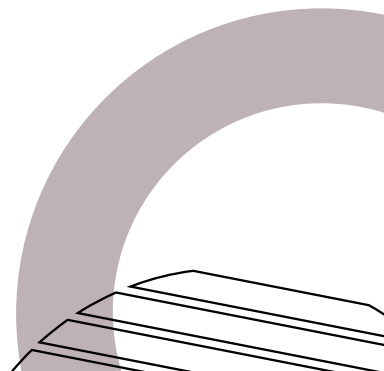
*Note: For the employee stipend, the total amount of the credit is capped at \$3,000 per employee.*

#### How much will the employee stipend be?

- You may decide to offer a set stipend amount per employee no matter how many children they have in child care (i.e. \$1,000 per employee)
- You may offer a set amount per child in child care (i.e., \$500 per child)
- You may create a sliding scale and offer more for younger children, given that infant and toddler care is significantly more expensive than preschool or after school care. (i.e. \$500 for infants, \$450 for toddlers, \$300 for preschool and after-care).

#### What kind of care can be covered by the stipend?

- You can decide to fund full-time care for children under school age (under age 6), after-school care for school-age children (up to age 12), or both.



## II

## INFORM

Inform employees about the program and the Department of Revenue that you plan to participate.



1. Inform the Department of Revenue that you intend to use the Child Care Business Tax Credit employee stipend option.
2. Inform your employees about the child care stipend program, specifying that employees with children enrolled in child care will be eligible to receive a monthly stipend for child care costs, capped at \$6,000 per employee annually and aligning to the decisions you made about funding, programs, and amount.
3. Let them know that the stipend will be paid directly to the child care provider to offset the costs of care for the employee's children. It cannot be given to the employee as a reimbursement.



# III

## COLLECT INFORMATION

Collect necessary information from employers and child care providers

**1. Provide employees with an enrollment form** that their child care provider must fill out and return to the employer. A sample form is included in Appendix A.

**2. Ensure that the form includes:**

- A) An explanation of the employer's intention to contribute to the cost of their employee's child care, as well as the amount of funds that will be contributed, and how often the payments will be made.
- B) A way to collect necessary information for reporting to the Department of Revenue, including:
  - The name of the business's employee.
  - The number, ages, and names of the employee's children enrolled at the child care provider.
  - The EIN of the Child Care Program
  - The address of the Child Care Program
  - Contact information for the Director or owner of the Child Care Program
  - Whether or not the Child Care Program is licensed with the Department of Health (only licensed centers are eligible)
  - Space for the Child Care Program to note the price of care for each age group at the center minus the amount of funds provided by the employer. This will become the employee's new child care monthly payment.

**3. Have employees return the form to you** and enter information into a spreadsheet for the Department of Revenue, like the one in Appendix C.

**4. It is recommended that employees, employers, and child care providers sign a memorandum of understanding (MOU)** with all of the expectations and timelines written. You can find a sample MOU in Appendix B.

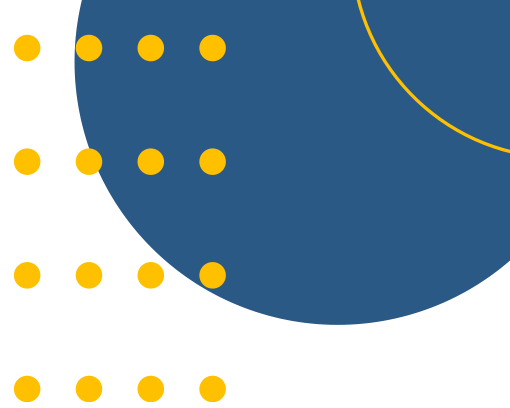


***NOTE: Make sure your employees know that it is their responsibility to inform you as soon as possible if they move their child from one facility to another. It will also be their responsibility to collect a new enrollment form from their new child care provider. Otherwise, they may miss the stipend for those pay periods***





# Plan to Disburse Funds



**Employer Co-Payment:** At the agreed-upon interval (monthly is recommended since an employee may choose to move their child to a new provider), the employer mails a check or directly deposits the agreed upon stipend amount to the employee's selected child care provider.

**Parent Co-Payment:** The parent pays the child care provider any remaining balance after the employer's stipend is applied.

**\* NOTE:** The employer will likely request an invoice from the provider and a receipt for payment; however, to simplify the paperwork process and encourage providers to participate, it is recommended that a signed annual agreement and annual receipt for employer co-payments serve rather than monthly invoices and receipts, even if the payments are made monthly or quarterly.

## Reporting & Documentation

### Document Expenditures:

- Using a spreadsheet, like the one in Appendix C, keeps records of all expenditures to ensure compliance and facilitate the tax credit application process.
- Submit the original documentation form for each employee along with the spreadsheet to the Department of Revenue with the rest of your business's tax paperwork.



# Conclusion

The Mississippi Child Care Business Tax Credit is a win-win opportunity for businesses and families. By investing in child care support, you can enhance your company's appeal as an employer, boost employee morale and productivity, and make a meaningful contribution to the development of our future leaders. We encourage you to explore this opportunity and consider how your business can participate. Together, we can create a stronger, more supportive community for working families in Mississippi.

For more information, please contact the Mississippi Early Learning Alliance at [www.msearlylearning.org](http://www.msearlylearning.org) or review the legislation at <https://billstatus.ls.state.ms.us/documents/2023/html/SB/2300-2399/SB2335IN.htm>



# Appendix A

## SAMPLE

### CHILD CARE STIPEND ENROLLMENT FORM INSTRUCTIONS FOR EMPLOYEES

1. Have your child care provider complete this form.
2. Return the completed form to **[Name of HR or Accountant or other staff member who will keep track]**.
3. Request a copy of the form for your own family's records.
4. Make note of the co-payment amount on the completed enrollment form and ensure that this amount matches your monthly statement from your child care provider.

**EMPLOYEE NOTE:** The stipend will be paid directly to the child care provider to offset the costs of care. It cannot be given after you have paid for child care as a reimbursement.

It is your responsibility to inform **[Name of HR or Accountant Staff member or employer]** as soon as possible if you choose to move your child from one child care program to another. It will also be your responsibility to collect a new enrollment form from the new child care provider. Otherwise, you may miss the co-payment for those periods of time.

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## SAMPLE

### **[BUSINESS NAME]** CHILD CARE STIPEND ENROLLMENT FORM INFORMATION

Dear **[CHILD CARE PROVIDERS NAME]**,

I am an employee of **[BUSINESS NAME]**. I wanted to let you know about a new program my employer is participating in that could benefit both of us. It is called the Mississippi Child Care Business Tax Credit Employee Child Care stipend. Through this program, my employer can help cover part of my child care costs by paying a **[MONTHLY/ANNUAL]** stipend directly to your center, up to **[EMPLOYER DETERMINED AMOUNT]** annually.

To make this happen, I need your help in filling out a simple form with some basic information about your center, my child(ren), and the cost of care for my child(ren). This will allow my employer to send the stipend directly to you, reducing my out-of-pocket expenses, and ensuring timely payments for you. I will still be responsible for paying the balance of child care costs to you each month.

Could you please fill out the attached form and return it to me? This program makes child care more affordable for my family and supports the stability and growth of your business.

Thank you for you assistance!

**[EMPLOYEE CAREGIVER NAME]**

## SAMPLE

### ENROLLMENT FORM [BUSINESS NAME] CHILD CARE STIPEND

At **[BUSINESS NAME]**, we recognize that your work as a child care provider is critical to our own ability to retain great parents on our staff. Without access to affordable, high-quality child care, our parent employees are not able to attend work. So, we are offering a child care stipend of up to **[DETERMINED AMOUNT]** per employee **[PER YEAR/PER MONTH]**. Please complete this information to let us know that you will agree to participate in this program and allow us to remit a portion of our employee's child care costs as payment to you each **[DETERMINED PAYMENT SCHEDULE]**.

#### **Section 1: Employee Information**

- Employee Name: \_\_\_\_\_
- Information about Employee's Child(ren) Enrolled in Program:
  - Number of Child(ren) Enrolled: \_\_\_\_\_
  - Name(s) of Children: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  - Age(s) of Child(ren): \_\_\_\_\_  
\_\_\_\_\_

#### **Section 2: Child Care Program Information**

1. Is this program a center-based child care program with more than six (6) children under age 12 enrolled OR a home-based child care program that meets the required enrollment parameters?      YES                      NO
  
2. Is the program licensed or registered with the Department of Health?                      YES                      NO                      NEITHER
  
3. Program License or Registration #: \_\_\_\_\_
4. Program EIN: \_\_\_\_\_
5. Program Address: \_\_\_\_\_
6. Director/Owner Contact Information:
  - Name: \_\_\_\_\_
  - Phone Number: \_\_\_\_\_
  - Email Address: \_\_\_\_\_

**\*\*\*Note: If the answer is no to Question 1 or Neither to question 2, this program is not eligible for the Child Care Business Tax Credit program.**

# Appendix B

## SAMPLE MEMORANDUM OF UNDERSTANDING

This agreement acknowledges the participation of **[CHILD CARE PROVIDER NAME]**, **[EMPLOYER NAME]**, and **[EMPLOYEE NAME]** in the Mississippi Child Care Business Tax Credit Stipend Program.

### **1. Employee Agreement:**

- I, the employee, understand that my employer will provide a stipend of **[AMOUNT]** to help cover my child care costs, which will be paid directly to my chosen child care provider at **[AGREED UPON INTERVAL]**.
- I agree to ensure that the child care provider completes and submits the necessary forms to my employer, which include details of my child(ren)'s enrollment and the costs associated with their care.
- I understand that the stipend will be applied to my child care fees, and I will be responsible for paying the remaining balance directly to the child care provider.
- I understand that if I remove my child(ren) from the enrolled provider's care, it is my responsibility to inform my employer and have the new provider submit forms.
- I understand that if this child care provider's license or registration is revoked by the Department of Health, this child care program is no longer eligible to participate in the Child Care Business Tax Credit program.

### **2. Child Care Provider Agreement:**

- I, the child care provider, agree to complete and return the required form with information about my center and the child(ren) enrolled, including the cost of care for each age group and the amount the employer will pay.
- I acknowledge that my program license or registration is in good standing with the Department of Health, and if my license or registration is revoked, I am no longer eligible to participate in this program.
- I will apply the stipend of **[AMOUNT]** provided by the employer to reduce the parent's child care fee and will send an invoice to the employer for the stipend amount at **[AGREED UPON INTERVAL]**. I will also need a receipt for payment at **[AGREED UPON AMOUNT]**.
- I, the child care provider, agree to accept the parent's co-payment as outlined, which is the original tuition cost less the amount of the employer's stipend. I understand that the employer's stipend will reduce the parent's cost for child care.
- I agree not to increase the parent's child care payment as a result of their participation in the child care stipend program. The tuition by the parent will remain the same, with the employer's stipend covering a portion of the fees. This does not preclude my center from raising tuition fees overall, but only from raising fees of parents participating in the employer program.
- I will ensure that all documentation is accurate and submitted in a timely manner to maintain compliance with the Mississippi Child Care Business Tax Credit Program.

**3. Employer Agreement:**

- I, the employer, agree to provide a stipend to eligible employees to help cover child care costs, paid directly to the child care provider.
- I will make payment of **[AMOUNT]** directly to the child care provider at **[AGREED UPON INTERVAL]**. I will ensure that the necessary forms are distributed to employees and child care providers, and I will process the stipend payments according to the program’s guidelines.
- I will manage the required reporting to ensure compliance with the Mississippi state tax credit rules.

By signing below, all parties agree to the terms outlined above and acknowledge their roles in facilitating the successful use of the Mississippi Child Care Business Tax Credit Stipend Program.

**SIGNATURES:**

Employee Name (Print): \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Child Care Provider Name (Print): \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Employer Name (Print): \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_





MELA exists to build, strengthen, and support coalitions to advocate for systems change to improve early learning and child development outcomes in our state.

Learn more at [www.msearlylearning.org](http://www.msearlylearning.org)