

Kansas' Child Care Tax Credit

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Modernizing Kansas' child care tax credit would expand access and strengthen the workforce.

Kansas' existing Child Day Care Assistance Tax Credit (K.S.A. 79-32,190) is significantly underutilized. Although employers routinely identify child care as a major barrier to hiring and retention, only a small number take advantage of the credit because the statute is overly complex, narrowly tailored and difficult to navigate.

This bill modernizes and expands the employer child care tax credit to make it simpler, more generous and far more useful. It increases the size of the credit, streamlines and clarifies eligible expense categories, and broadens the credit so employers can invest in child care solutions that benefit all Kansas families — not only their employees.

These updates allow employers to strengthen local child care supply, support workforce participation and contribute to a more stable state economy. These matter because:

- Employers need clear, actionable incentives to support child care
- Kansas needs more child care supply
- Increasing the credit makes participation more attractive
- Strengthening child care strengthens Kansas' economy

WHAT THE BILL DOES

1 INCREASES THE VALUE OF THE EMPLOYER CHILD CARE TAX CREDIT

The bill modernizes the credit by raising the rates substantially:

- 75% credit for employer expenses related to child care for employees, including:
 - Paying for care
 - Establishing or expanding child care programs
 - Paying for child care referral services
 - Collaborative investments with other employers
- For contributions to third-party entities that expand child care availability for the community:
 - 75% credit if the recipient serves families using child care assistance
 - 50% credit if not



2 RAISES THE ANNUAL CREDIT CAP AND INCLUDES A THREE-YEAR CARRY FORWARD

- Increases the maximum credit from \$30,000–\$45,000 (depending on category) to a single cap of \$100,000 per taxpayer per year
- The tax credit is no longer refundable but contains a three-year carry forward, allowing taxpayers to apply unused tax credits from a current tax year to future tax years; this reduces future liability when credits exceed the current year's tax limit

3 EXPANDS ELIGIBLE USES TO SUPPORT ALL FAMILIES

The bill clarifies and broadens eligible expenses to encourage employers to contribute to child care solutions that benefit all families — not just their employees. This includes contributions to third-party entities that support the following:

- Establishing or expanding child care programs, including support to establish or maintain licensing
- Purchasing learning materials or play equipment
- Compensating professional development for child care staff
- Providing tuition assistance for families in need
- Providing referral services that connect families to child care

These categories are intentionally broad and clear, encouraging community investments, multi-employer models and direct support to licensed child care providers.

4 ENSURES ACCOUNTABILITY AND LICENSING STANDARDS

Credits may only be claimed when expenses support licensed child care providers or programs, ensuring public dollars support quality, regulated care.

WHY THIS LEGISLATION MATTERS

1 EMPLOYERS NEED CLEAR, ACTIONABLE INCENTIVES TO SUPPORT CHILD CARE.

Today's statute contains multiple overlapping categories, outdated provisions and inconsistent credit percentages. Employers frequently report they cannot determine which expenses qualify or whether the credit is worth pursuing at all. By simplifying the structure and clarifying eligible expenses, this bill removes barriers and creates a straightforward, easy-to-understand incentive for employers statewide.

2 KANSAS NEEDS MORE CHILD CARE SUPPLY – NOT JUST SUPPORT FOR EMPLOYEES.

The bill's expansion to include contributions to third-party entities recognizes a key reality: Employers depend on a robust child care system, even when families served aren't their own employees. This change encourages:

- Community-wide child care investments
- Multi-employer partnerships
- Support for local child care providers
- More stable and higher-quality child care supply

These investments ultimately benefit employers and families alike.



3 INCREASING THE CREDIT MAKES PARTICIPATION MORE ATTRACTIVE.

Raising the credit percentage from 30% to 75% (and up to 75% for broader community contributions) significantly increases the return on employer investment. Higher credits create a strong incentive for employers to participate – something Kansas urgently needs to support workforce growth. Child care shortages and affordability barriers limit workforce participation and undermine business growth. A modern, accessible employer tax credit supports the child care infrastructure Kansas needs to remain economically competitive.

4 STRENGTHENING CHILD CARE STRENGTHENS KANSAS' ECONOMY.

This bill transforms Kansas' underperforming employer child care tax credit into a modern, flexible tool that encourages meaningful employer investment in child care access and quality. By increasing the credit value, simplifying eligible expenses, and supporting community-wide child care solutions, the bill strengthens Kansas' child care infrastructure and expands opportunities for working parents.

A stronger child care system strengthens the entire Kansas economy. This legislation helps employers be part of the solution – simply, effectively and at a scale that meets the needs of today's workforce.