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PCSW

Permanent Commission on the Status of Women

The State's leading force for women's equality

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**Testimony of
Permanent Commission on the Status of Women
Submitted to the
Finance, Revenue and Bonding Committee
March 9, 2016**

**Re: H.B. 5109, An Act Establishing a Tax Credit Program for Employers Who Offer On-Site Child Day Care Options for Employees.
H.B. 5121, An Act Establishing a Tax Credit for Dependent Child Care Costs.
H.B. 5122, An Act Concerning Personal Income Tax Deductions for Contributions to Family and Medical Leave Benefit Accounts**

Senators Fonfara and Frantz, Representatives Berger and Davis, and distinguished members of the Finance, Revenue and Bonding Committee, thank you for this opportunity to provide testimony on behalf of the Permanent Commission on the Status of Women (PCSW) on H.B. 5109, An Act Establishing a Tax Credit Program for Employers Who Offer On-Site Child Day Care Options for Employees, and H.B. 5121, An Act Establishing a Tax Credit for Dependent Child Care Costs.

H.B. 5109, An Act Establishing a Tax Credit Program for Employers Who Offer On-Site Child Day Care Options for Employees

The PCSW thanks the bill's sponsors for attempting to address one of major challenges facing working parents in Connecticut – lack of access to convenient and affordable child care. In our 2014 report, *The Status of Women in Connecticut's Workforce*, we found that 27% of women who work part time do so for reasons related to family, which includes child care problems and other family obligations.¹ The long term economic impacts for women as a result of taking time out of the workforce to care for family cannot be understated. Women who work part-time have less lifetime earnings, acquire fewer retirement assets and earn less social security. Part-time work contributes to the gender wage gap as well, which further lowers women's wages and disadvantages women in retirement. Therefore, we applaud any efforts to expand accessible child care options for Connecticut's working women.

It is unfortunate that more employers do not see the benefits to their businesses of policies and programs that support employees' success in both the workplace and at home. Employees who feel valued and supported by their employers tend to have better morale and be more loyal and productive. But if financial incentives offer a way to encourage employers to do the right thing, then they should be considered as one tool that can positively impact the lives of Connecticut's working parents. PCSW recommends, however, that if tax credits are to be employed as a strategy to create more convenient, affordable and quality child care options, it should be based upon data

demonstrating that tax credits are, in fact, effective in attracting new employers to offer child care programs, rather than rewarding employers that operate existing programs.

H.B. 5121, An Act Establishing a Tax Credit for Dependent Child Care Costs.

The PCSW is supportive of the proposed legislation that would create a state tax credit to help working families pay for childcare services. Currently at the federal-level, there exists the Child and Dependent Care Credit, which is for single individuals or married couples who have incurred expenses on child or dependent care services for caring for qualified children, dependents, or spouses while working or seeking employment.ⁱⁱ The proposed legislation would create a similar credit within the Connecticut tax system for eligible taxpayers.

In 2015, the average annual full-time childcare cost at a childcare center in Connecticut was \$13,880 for an infant, \$11,502 for a four-year-old, and \$5,323 for a school-aged child.ⁱⁱⁱ In comparison, a woman in Connecticut with a high school diploma or its equivalent makes an average of \$35,000 annually.^{iv} This means that a single mother with only a high school diploma can be expected to have to spend nearly half of her annual income on full-time child care for her infant. This high cost of childcare creates an incredible burden on women who are trying to be a part of the workforce after having children. The PCSW applauds any effort that makes quality childcare more accessible to Connecticut women and families, and commends the sponsors of this legislation for their attempt to address this major challenge for so many people in the state.

H.B. 5122, An Act Concerning Personal Income Tax Deductions for Contributions to Family and Medical Leave Benefit Accounts

The PCSW thanks the bill's sponsors for attempting to address the needs of working families who face an unexpected illness or plan to have or adopt a new child. H.B. 5122 is set up like a health savings account, where individuals can save untaxed dollar for dollar into an account that can be used during periods of job protected leave under the federal Family Medical Leave Act.

While this bill is admirable in its intention, we encourage the committee to review SB 221, An Act Concerning Paid Family and Medical Leave which has all employees paying a small percentage of their pay into a trust. S.B. 221 is a more cost effective way to save that can protect all workers. Additionally, since S.B. 221 is based on an insurance model, individuals will put in just a percentage of their salary and if they need to take time under Family Medical Leave Act, they will receive 100% of their salary up to a cap of \$1000.

Thank you for your consideration of these important issues to the short and long-term economic security of Connecticut's women and families.

ⁱ PCSW and the Institute for Women's Policy Research. The Status of Women in Connecticut's Workforce. November 2014.

ⁱⁱ U.S. Internal Revenue Service, Topic 602: Child and Dependent Care Credit < <https://www.irs.gov/taxtopics/tc602.html>>

ⁱⁱⁱ Childcare Aware of America, Parents and the High Cost of Child Care: 2015 Report, < <http://usa.childcareaware.org/wp-content/uploads/2015/12/Parents-and-the-High-Cost-of-Child-Care-2015-FINAL.pdf>>

^{iv} PCSW and the Institute for Women's Policy Research, The Status of Women in Connecticut's Workforce, November 2014.