

Overview

Louisiana's New Workforce Child Care Tax Credit

In June 2025, the Louisiana Legislature passed into law Act No. 454, a measure that restructures and significantly expands Louisiana's tax credits for businesses supporting child care for their employees. Act No. 454 launches Workforce Child Care Tax Credits as a replacement for the state's former School Readiness Tax Credit program. The Workforce Child Care Tax Credits are available to all businesses statewide. The measure is intended to boost the economy by providing and increasing the amount of tax credits for businesses that financially support child care for their employees.

How It Works

Act No. 454 establishes Workforce Child Care Tax Credits for businesses and families across Louisiana. The legislation:

- **Expands existing business child care tax credits:** Act No. 454 doubles the maximum allowable expenses businesses can claim for supporting child care – including construction, renovation, and operations of child care facilities – from **\$50,000 to \$100,000** per tax year.
- **Provides direct child care support for employees:** The legislation also doubles the cap on payments businesses can make to eligible child care facilities on behalf of employees, raising the limit from **\$5,000 to \$10,000** per child, per year.
- **Reserves child care slots for businesses:** The measure allows companies to claim up to **\$100,000 per year (up from \$50,000)** for purchasing or reserving child care slots for their employees' children at eligible facilities.
- **Increases support for high-quality providers:** Finally, Act No. 454 increases the tax credit amount a business can claim for employees whose children attend facilities with the highest-quality state ratings. The percentage of eligible business child care expenses that are now covered with the new credits are 50% for five-star providers, 40% for four-star providers, and 30% for three-star providers.

What This Means For Your Business

Act No. 454 offers Louisiana businesses greater opportunities to receive tax credits to support their employees' child care needs. Reliable child care is one of the most significant barriers to employment for Louisiana families and is essential for working parents, and the businesses that employ them. Many businesses experience high rates of worker turnover, inflated employee recruitment and retention costs, and unpredictability in workforce staffing due to a lack of consistent child care options for their employees. Overall, workforce disruptions from inadequate or inconsistent child care cost Louisiana employers an **estimated \$762 million annually**. Further, the lack of reliable child care results in an annual **estimated \$1.3 billion economic loss** for the Louisiana economy.

Act No. 454 caps the total annual amount of Workforce Child Care Tax Credits in the state at \$1 million, and allows for a \$1 million annual increase in the cap up to \$5 million, depending on utilization of the program. Therefore, it is imperative that businesses act quickly to take advantage of the tax credits available for their organization and employees.