

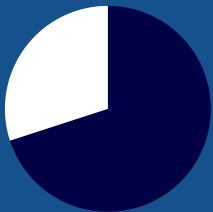
Making The 45S Employer Paid Leave Tax Credit Work for Small Business

Overview of 45S

Small employers rely on paid family leave, which helps to both address the economic needs of business owners and workforce and ensure small business owners can compete against their larger counterparts.

The bipartisan 45S Employer Tax Credit, introduced and enacted in 2017 under the leadership of Sen. Deb Fischer (R-NE) and Sen. Angus King (I-ME), is the first-of-its-kind federal policy to support paid Family and Medical Leave (FML). It encourages small business owners to provide paid leave to their employees by offering companies a tax credit to help cover some of the associated costs. The tax credit currently offsets 12.5% to 25% of the cost of wages paid to employees on paid leave.

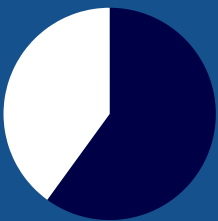
What Small Businesses Think About 45s



77%

of small business owners surveyed nationally supported a financial incentive by the government for small employers to provide paid leave benefits.

(Bipartisan Policy Center Report, 2022)



60%

of small businesses surveyed nationally, including 70% of the self-employed, expressed support for a federal business tax credit that would offset up to 50% of the costs of providing paid family medical leave.

(Public Private Strategies Institute, 2023)



Small employers applaud recent efforts across the House and Senate to establish the tax credit as permanent, conduct targeted outreach, and amend 45S to allow employers to apply it toward PFML private insurance products.

This tax credit polled as the most popular policy solution for paid leave, with many respondents indicating it would be the easiest way for their business to participate in a paid leave program.

(Public Private Strategies Institute, 2023)

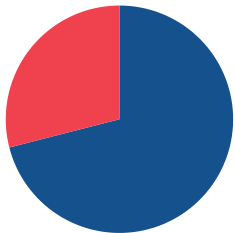
45S Can Help Boost Small Business Growth

Employers who offer paid FML

- ✗ reduce turnover costs
- ✗ improve employee retention
- ✗ boost morale and productivity

5 Small Employer Recommendations to Enhance and Expand 45S

Make The Costs of Hiring Temporary “Backfill” Workers Eligible for The Tax Credit



71% of businesses surveyed reported the lack of capacity or resources to backfill for employees on leave as the number one challenge when it comes to offering paid leave.

(Public Private Strategies Institute, 2023)

Increasing the size of 45S to cover wages and administrative costs of hiring temporary employees could help offset these expenses and encourage more employers to provide 45S.

Make the Tax Credit Permanent

The temporary nature of the 45S credit creates uncertainty for business owners, discouraging long-term planning and investment in PFML programs. Making the credit permanent would provide businesses with the confidence to incorporate PFML benefits into their operational strategies.

Increase The Tax Credit Size



A proportional increase in the credit size tied to the length of leave or the comprehensiveness of benefits offered would empower businesses to design paid FML policies that best suit their workforce and incentivize employers to offer more generous and flexible leave packages.

Make the Costs of Obtaining Private Paid Leave Insurance Eligible for the Credit

Many small businesses offer paid leave via private insurance plans. However, under current law, employers who use an insurance plan to provide paid family leave can't claim the credit.

Increase 45S Outreach And Education

Strategic initiatives to raise awareness can lead to higher adoption rates. Marketing campaigns should highlight the availability of the credit, its financial benefits, and how it supports employee well-being.



Clear, accessible messaging tailored for small businesses



Simplified application processes



Partnerships with accountants, trade associations, chambers of commerce, and other community-based organizations