

# The Vermont Child Care Contribution

MARCH 2024

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*Please note:* The Department of Taxes will update this guide to reflect any changes to Vermont law. For the most up-to-date version, please check the Vermont Department of Taxes website.

# Contents

<b>Background</b> .....	<b>3</b>
How to Use this Guide .....	3
<b>Employers</b> .....	<b>3</b>
Employer Election to Withhold from Employees .....	3
How Employers Calculate the Child Care Contribution .....	4
How Employers Report and Pay the Child Care Contribution .....	4
Employer Filing Due Dates .....	4
Examples for Employers .....	4
<b>Employees</b> .....	<b>6</b>
<b>Self-Employed Individuals</b> .....	<b>6</b>
How Self-Employed Individuals Calculate the Child Care Contribution .....	6
How Self-Employed Individuals Report and Pay the Child Care Contribution .....	6
Self-Employed Individuals Filing Due Dates .....	6
Examples for Self-Employed Individuals .....	7
<b>Definitions</b> .....	<b>7</b>
Employee .....	7
Employer .....	7
Net Earnings from Self-Employment .....	7
Self-Employment Income .....	7
Wages .....	7

# Background

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In 2023, [Act 76 \(H.217\)](https://legislature.vermont.gov/bill/status/2024/H.217), relating to child care and early education, was enacted into law. Act 76 of 2023 creates the Child Care Contribution (CCC) under [32 V.S.A. Chapter 246](#) to fund investments in Vermont's child care system. Beginning July 1, 2024, Vermont employers and self-employed individuals will begin making contributions composed of a 0.44% payroll tax on wages and a 0.11% self-employment income tax to the Vermont Department of Taxes for deposit into the Child Care Contribution Special Fund.

## How to Use this Guide

This guide is intended to provide preliminary guidance for:

- [Employers](#),
- [Employees](#), and
- [Self-employed individuals](#).

Vermont statutes, Vermont Department of Taxes rulings and administrative rules, and applicable court decisions supersede information presented here.

Additional information can also be found on the Department's website, <https://tax.vermont.gov/business/child-care-contribution>.

## Employers

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Employers are required to pay a 0.44% payroll tax on their employees' wages paid on or after July 1, 2024, to the Department. All wages as defined under Section 3401 of the Internal Revenue Code that are subject to Vermont income tax withholding are also subject to the 0.44% CCC. For example, wages paid for work physically performed in Vermont (whether at a Vermont job site or from an employee's Vermont home) are subject to both Vermont income tax withholding and the CCC.

Wages for which Vermont income tax withholding is not required, such as wages paid in connection with work physically performed outside of Vermont, are not subject to the CCC. An employer who voluntarily withholds and remits Vermont income tax for such wages as a courtesy to its Vermont-resident employees is not required to remit CCC on these wages.

### Employer Election to Withhold from Employees

Employees are not required to file or pay the CCC, but employers may choose to deduct and withhold up to one-quarter of the contribution from employee wages (i.e., not more than 0.11% of any employee's wages). The employer may choose to withhold a smaller portion from employee wages or choose not to withhold any amount from employees. There is no requirement for employers to withhold the same amount from every employee.

If an employer chooses to deduct and withhold a portion of the CCC from an employee, the employer should report the portion of CCC withheld from the employee for the tax year on Box 14 of the employee's W-2.

## How Employers Calculate the Child Care Contribution

The CCC is calculated on wages regardless of the number of hours worked. All wages that are subject to Vermont income tax withholding are also subject to the CCC.

## How Employers Report and Pay the Child Care Contribution

Employers report CCC payments quarterly using new lines on Form WHT-436, Quarterly Withholding Reconciliation. The quarterly withholding form will be updated to incorporate these changes and will be available to file beginning with the July 1, 2024, to September 30, 2024, filing period. An early draft form and form instructions will be available for preview before the end of the September filing period.

Beginning July 1, 2024, employers will remit CCC payments to the Department in the same manner and frequency as they remit Vermont income tax withholding. Semiweekly, monthly, and quarterly withholding taxpayers are required to begin making CCC payments after July 1 according to their established withholding payment schedule. See [Withholding \(https://tax.vermont.gov/business/withholding\)](https://tax.vermont.gov/business/withholding) for more information on payment frequency for employers.

## Employer Filing Due Dates

Beginning July 1, 2024, for all wages paid on or after July 1, 2024, employers are required to report the CCC quarterly on Form WHT-436, Quarterly Withholding Reconciliation. Upcoming filing dates:

- October 25, 2024 (for July-September)
- January 27, 2025 (for October-December)

## Examples for Employers

The following examples may help employers understand their responsibilities with respect to the CCC.

### Example 1:

**If the employer opts to pay the entire Child Care Contribution (no CCC withheld from employee wages):**

Dream Café has four employees. The business is required to pay the CCC for all employee wages, whether the employees are full- or part-time. In this example, Dream Café opts to pay the entire 0.44% (or 0.0044) CCC (no CCC withheld from wages). Dream Café remits CCC payments in the same manner and frequency as it remits Vermont income tax withholding and reports CCC liability on the quarterly withholding reconciliation, Form WHT-436.

To calculate the total CCC liability, multiply the total wages by 0.44% (or 0.0044).

### Quarterly CCC Liability - Period Ending: 09/30/2024

Employee ID	Employee Name	Quarterly Gross Wages	Quarterly CCC Due (0.0044)
1	[Employee 1]	\$2,500.00	\$11.00
2	[Employee 2]	\$4,000.00	\$17.60
3	[Employee 3]	\$2,700.00	\$11.88
4	[Employee 4]	\$5,000.00	\$22.00
<b>Total</b>	-	<b>\$14,200.00</b>	<b>\$62.48</b>

1. Total wages subject to Child Care Contribution: ..... \$14,200.00

2. Total Child Care Contributions due (\$14,200.00 x 0.0044): ..... \$62.48

3. Amount of Child Care Contributions contributed by employees: ..... \$0.00

**Example 2:**

**If the employer withholds one-quarter of the Child Care Contribution (the maximum allowable amount) from employees' wages:**

Dream Café has four employees. The business is required to pay CCC for all employees, whether the employees are full- or part-time. In this example, Dream Café chooses to withhold the maximum amount of the CCC from its employees, i.e., 0.11% (or 0.0011) of employees' wages. Dream Café withholds each employee's portion for each biweekly pay period and remits CCC payments (both employer and employee portions) in the same manner and frequency as it remits Vermont income tax withholding. They report both the employee and employer portions on the quarterly withholding reconciliation, Form WHT-436. In addition, Dream Café will report the total CCC withheld from the employee for the tax year on Box 14 of the employee's W-2. To calculate the total CCC liability, multiply total employee wages by 0.44% (or 0.0044).

To calculate the employee portion of the CCC, multiply employee wages by 0.11% (or 0.0011).

To calculate the remaining employer portion of the CCC, multiply total employee wages by 0.33% (or 0.0033).

**Quarterly CCC Liability - Period Ending: 09/30/2024**

Employee ID	Employee Name	Quarterly Gross Wages	Quarterly CCC Due (0.0044)	CCC Withheld from Employees (0.0011)	CCC Employer Portion (0.0033)
1	[Employee 1]	\$2,500.00	\$11.00	\$2.75	\$8.25
2	[Employee 2]	\$4,000.00	\$17.60	\$4.40	\$13.20
3	[Employee 3]	\$2,700.00	\$11.88	\$2.97	\$8.91
4	[Employee 4]	\$5,000.00	\$22.00	\$5.50	\$16.50
<b>Total</b>	-	<b>\$14,200.00</b>	<b>\$62.48</b>	<b>\$15.62</b>	<b>\$46.86</b>

1. Total wages subject to Child Care Contribution: ..... \$14,200.00

2. Total Child Care Contributions due (\$14,200.00 x 0.0044): ..... \$62.48

3. Amount of Child Care Contributions contributed by employees: ..... \$15.62

# Employees

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**There is no filing requirement for employees.**

An employer may choose to withhold up to one-quarter of the CCC from an employee's wages. The total CCC payroll tax on wages is 0.44% (or 0.0044), which means that the maximum an employer may elect to withhold from an employee is 0.11% (or 0.0011) of the employee's wages. Employees should see any CCC withheld by their employer reported on their W-2 at the end of the year.

## Self-Employed Individuals

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The term "self-employed individual" refers to anyone who earns self-employment income as defined in Section 1402 of the Internal Revenue Code. The Child Care Contribution includes a 0.11% (or 0.0011) income tax on self-employment income.

The CCC applies to all self-employment income earned by a Vermont resident, regardless of whether the work was performed in Vermont or out of state.

For self-employed individuals who are not Vermont residents, the CCC applies to income earned while physically working in Vermont. Self-employment income earned by nonresidents for work performed outside of Vermont is not subject to CCC.

### How Self-Employed Individuals Calculate the Child Care Contribution

For self-employed individuals, the CCC uses the federal definition of self-employment income, as defined in Section 1402 of the Internal Revenue Code. This means that any income subject to federal self-employment tax is subject to the new CCC. However, unlike federal self-employment taxes, there is no cap on self-employment income subject to the CCC.

The rate of assessment on self-employment income is 0.11% (or 0.0011).

The following example may help self-employed individuals understand their responsibilities with respect to the CCC.

### How Self-Employed Individuals Report and Pay the Child Care Contribution

Individuals with self-employment income report and remit CCC payments to the Department as part of their annual Vermont personal income tax filing. Estimated payments for the CCC shall be paid in the same manner and frequency as estimated personal income tax payments.

### Self-Employed Individuals Filing Due Dates

Beginning July 1, 2024, for all self-employment income earned on or after July 1, 2024, self-employed individuals are required to report and pay the CCC for each tax year along with Vermont personal income taxes on or around April 15.

The tax year 2024 Vermont personal income tax return (due April 15, 2025) will be the first income tax return that includes the CCC self-employment income tax. However, beginning July 1, 2024, individuals with self-employment income may need or want to begin making estimated CCC payments in the same manner and frequency as estimated personal income tax payments.

For tax year 2024, given that the tax begins July 1, 2024, the Department will accept reporting 50% of self-

employment income for purposes of CCC. However, taxpayers who wish to provide documentation showing that the actual self-employment income earned between July and December 2024 represents less than 50% of their self-employment income for tax year 2024 may do so.

## Examples for Self-Employed Individuals

### Example 3:

**If the individual has self-employment income:**

In 2024, Ralph’s self-employment income from July 1 to December 31, is \$25,000.00. Ralph multiplies \$25,000 by 0.11% (0.0011). The result is \$27.50. Ralph reports this amount on the Child Care Contribution line on Form IN-111, Individual Income Tax Return, when he files in 2025.

#### Total Self-Employment Income Earned: 07/01/2024 – 12/31/2024

Self-Employment Income	CCC Rate on Self-Employment Income	Total CCC Due
\$25,000.00	0.0011	\$27.50

1. Total self-employment income subject to Child Care Contribution: ..... \$25,000.00
2. Total Child Care Contributions due (\$25,000.00 x 0.0011): ..... \$27.50

## Definitions

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### Employee

“Employee” means an individual who receives payments for services performed for an employer, and the employer is required to withhold Vermont income tax from payments for those services.

### Employer

“Employer” means a person who employs one or more employees and who is required to withhold income tax from wages paid to the employer’s employees.

### Net Earnings from Self-Employment

The CCC applies to “self-employment income” as defined in federal law. Federal law defines self-employment income to generally mean “net earnings from self-employment.” The term “net earnings from self-employment” is defined in federal law in 26 U.S.C. § 1402(a) to mean the gross income derived from an individual’s trade or business, minus deductions related to the trade or business, and plus an individual’s distributive share from a trade or business carried on by a partnership. This definition requires multiple adjustments to gross income, some of which are limited in scope to a specific type of income, including income from passive activities, unless the individual is in the trade or business of that activity.

### Self-Employment Income

The CCC applies to “self-employment income” as defined under federal law in 26 U.S.C. § 1402(b). Federal law defines self-employment income as “net earnings from self-employment” as further defined in the same section of statute. See the definition above of “net earnings from self-employment” for more information.

### Wages

“Wages” means payments that are included in the definition of wages in 26 U.S.C. § 3401.