



The Daily Dish

Learning from the Family and Medical Leave Tax Credit

DOUGLAS HOLTZ-EAKIN | JANUARY 26, 2018

Eakinomics: Learning from the Family and Medical Leave Tax Credit

Paid family leave (to care for a new child or those with illness or injury) and the related issue of medical leave (for one's own illness or injury) were at the center of the 2016 presidential campaigns, but seemingly nothing has gained legislative traction since. But tucked away inside the Tax Cuts and Jobs Act (TCJA) is a little-discussed business tax credit to partially offset the cost of providing paid family and medical leave (the structure appears based on Senator Deb Fischer's proposed [Strong Families Act](#)).

Beginning this year, if businesses provide at least two weeks of leave that pays at least 50 percent of a worker's regular earnings, they are eligible for a tax credit that ranges from 12.5 percent to 25 percent of the cost of each hour of paid leave. The lower end applies if workers receive half of their regular earnings, while the upper end goes to firms where workers receive their entire regular earnings. Businesses are also able to apply the credit only toward workers who earn below \$72,000.

The provision is a pilot program that will last through 2019. But it raises the question: What can be learned from this pilot about providing paid family and medical leave? AAF's Ben Gitis worked through the issues and came up with an important [list](#).

The threshold question is whether the access to paid leave increases. How many businesses offer new paid family and medical leave benefits because of the tax credit? Related, but not quite the same, is the question of how many workers gain access to paid family and medical leave benefits. How important is the earnings limit in determining the number of workers affected?

The next set of issues that comes to mind has to do with the quality of the benefits. How generous will they be under the tax credit? More generous than in its absence? And what kind of benefits will employers choose to adopt — family? medical? both? Finally, the credit will not operate in a vacuum. How will it affect other benefits that employers provide? If employers are subsidized for these benefits, will they choose to replace other types of benefits with paid family and medical leave?

Finally, even if businesses offer benefits and the federal government subsidizes their cost, will employees actually use these benefits? Which ones, how frequently, and for how long?

A two-year pilot program cannot provide all the answers. But given the paucity of data and understanding surrounding family and medical leave, it is important to use this opportunity learn as much as possible.