

Child Care Contribution

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What's New

[Act 76 of 2023](#), an act relating to child care and early childhood education, tasks the Department of Taxes with the implementation and administration of a new Child Care Contribution (CCC), composed of a 0.44% payroll tax on wages and a 0.11% self-employment income tax.

- Collection of the Child Care Contribution shall begin on July 1, 2024.

What Employers Need to Know

- Employers are required to pay a 0.44% payroll tax on all employee wages earned in Vermont.
- An employer may choose to deduct and withhold a maximum of 25 percent of the required contribution (i.e., 0.11%) from employee wages.
- Employers will be required to remit CCC payroll tax payments to the Department in the same manner and frequency as they remit [Vermont Income Tax Withholding](#), with quarterly reporting on the WHT-436 Quarterly Withholding Reconciliation. Additional tax guidance and updated forms will be available on this page as they are finalized.

What Employees Need to Know

- An employer may withhold up to 25% of the Child Care Contribution (CCC) from an employee's wages. The maximum an employer may elect to withhold is 0.11% of an employee's wages.
- Employees have no CCC filing requirement.
- Employees will see any CCC withheld by their employer reported on their W-2 tax form at the end of the year.

What Self-Employed Individuals Need to Know

- The Child Care Contribution (CCC) includes a 0.11% income tax on net self-employment income.
- The CCC uses the federal definition of net self-employment income; 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.

- Individuals with self-employment income will report self-employment income and remit CCC payments to the Department as part of their Vermont Personal Income Tax filing each year. Estimated payments for CCC shall be paid in the same manner and frequency as estimated personal income tax payments. Additional tax guidance and updated forms will be available on this page as they are finalized.

Frequently Asked Questions

What is the Child Care Contribution being used for?

Please visit the [Vermont Department of Children and Families Act 76 webpage](#) for information and resources about the new law.

How are employee wages defined?

The definition of wages for purposes of CCC is the same as the definition for wages subject to federal and Vermont income tax. These are traditionally thought of as “Box 1 wages” of an employee’s W-2.

How will employers pay?

Employers will remit CCC payments in the same manner and frequency as they remit Vermont Income Tax Withholding. The same rules and penalties that apply to Vermont Withholding tax also apply to the new CCC. Employers will report CCC using new lines on the WHT-436 Quarterly Withholding Reconciliation form. Additional tax guidance and updated forms will be available on this page as they are finalized.

When will the first Child Care Contribution payments be due from employer/self-employed individuals?

The Child Care Contribution is effective on July 1, 2024. Monthly and semiweekly withholding taxpayers will be required to begin making payments after July 1, and report the CCC when filing form WHT-436 for the September 30, 2024 period. Quarterly withholding taxpayers will be required to make their first payment when filing WHT-436 for the September 30, 2024 period.

For self-employed individuals: The tax year 2024 personal income tax return (due April 15, 2025) will be the first income tax return that includes the self-employment

CCC. However, you may need or want to make estimated income tax payments during 2024, including amounts for the CCC.

Which employers are subject to Child Care Contribution?

All employers required to remit Vermont Income Tax Withholding are subject to the CCC. Employers are required to remit CCC for all employee wages for which they are required to pay Vermont Income Tax Withholding.

What do out-of-state employers need to know about the Child Care Contribution?

An out-of-state employer is required to remit and report CCC for employee wages that require Vermont Income Tax Withholding. Wages paid to an employee who physically works in Vermont, either on a job site or from their Vermont home, are subject to the CCC.

Are employers required to withhold 25% of the Child Care Contribution from employees wages?

No, employers can withhold up to 25% of their CCC liability from employee wages (e.g., up to 0.11% of any employee's wages). Employers may withhold any amount up to 25% or pay the entire CCC. Employers are not required to withhold the same amount from every employee.

Who is subject to the Child Care Contribution self-employment income tax?

A self-employed individual is anyone who earns self-employment income. Self-employment income for purposes of the CCC has the same definition as federal self-employment income. However, self-employment income for purposes of the CCC has no income cap. Net self-employment income is subject to the CCC. For non-residents, the CCC applies to self-employment income earned in the State.

How will individuals with self-employment income pay?

Individuals with self-employment income will remit and report CCC to the Department on their Vermont Personal Income Taxes, starting with the 2024 income tax return, due April 15, 2025. Estimated CCC payments shall be paid in the same manner and frequency as estimated income tax payments. Additional tax guidance and updated forms will be available on this page as they are finalized.