

# Small Business Worker Supports

Employer-provided benefits, tax credits, and other efforts to support workers can drive small business success and boost economic growth by improving businesses' ability to recruit and retain qualified, skilled workers.

An August 2025 survey by the National Federation of Independent Business found that labor concerns were top of mind for small business owners, with owners citing deteriorating labor quality and inability to fill open jobs.<sup>1</sup> Below are a few of the need-to-know programs for policymakers that can help both small businesses and workers thrive.

*“There needs to be better education and marketing involved in whatever benefit policies come up and how they can impact small businesses.” — Small Business Owner at a February 2025 BPC + TriNet Roundtable*

## FINANCIAL AND MEDICAL

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### Employer-Sponsored Insurance (ESI)

*Offered by employers, ESI is the largest source of health care coverage for non-elderly Americans.*

#### ■ Impact

Health care costs have continued to rise, making it increasingly difficult for employers to maintain health benefits and for workers to afford health care. For small businesses, this situation is even more challenging due to their limited financial resources. For instance, workers at smaller firms pay more for health insurance on average and face higher deductibles than workers at large firms.<sup>2</sup>

#### ■ Up on the Hill

Republicans and Democrats alike want to ensure that health insurance is accessible and affordable. Bipartisan priorities include addressing chronic disease rates, lowering drug costs, improving services for mental health, and maximizing the use of innovative technologies.<sup>3</sup> Democrats favor expanding public health insurance options to improve access and affordability.<sup>4</sup> Republicans support expanded health care choices for small businesses and self-employed individuals through association health plans and amending Health Savings Accounts.<sup>5</sup>



## Retirement Plan Startup Credit

*This credit offsets businesses' costs associated with starting and offering a retirement plan to their employees. The credit is capped at \$5,000.*

### ■ Impact

Ninety-four percent of small business owners who do not currently offer a retirement plan said they would be likely to offer this benefit if they received startup plan tax incentives or credits. However, many were unaware that incentives do exist.<sup>6</sup> Offering a retirement plan allows employers to invest in their workers, and workers to invest in their futures.

### ■ Up on the Hill

Reps. Vern Buchanan (R-FL) and Jimmy Panetta (D-CA) introduced H.R. 4548 to expand retirement tax credits to nonprofit small employers.<sup>7</sup> Congress should also consider amending the retirement plan startup credit to include a phaseout approach so the credit does not drastically drop for employers with more than 50 employees and discourage hiring.

*“Affordable and accessible benefits are critical to employee hiring and retention.” — Small Business Owner at February 2025 BPC + TriNet Roundtable*

### Want to learn more about the access gap to retirement plans?

Read our 2024 report, [The Retirement Plan Access Gap: Why It Exists, What States Are Doing About It, and Principles for Decisive Federal Action](#)

## CAREGIVING



## Dependent Care Assistance Plan (DCAP)

*This employer-sponsored benefit allows employees to exclude up to \$7,500 of dependent care assistance provided by the employer from their taxable income.*

### ■ Impact

Large firms were about three times more likely to offer dependent care flexible spending accounts (a type of DCAP) in 2024 than small businesses with fewer than 50 employees.<sup>8</sup> Often, small businesses do not offer DCAPs because of the perceived complexity in setup and administration.

### ■ Up on the Hill

The passage of the One Big Beautiful Bill Act (OBBA) in July 2025 permanently increased the tax exclusion from \$5,000 a year to \$7,500 a year for joint filers.<sup>9</sup> Policymakers could further improve DCAP by delinking it from the Child and Dependent Care Tax Credit (CDCTC). This would allow working parents across incomes to maximize both programs, while making child care more affordable and accessible.



## Employer-Provided Child Care Credit (45F)

*This credit offsets businesses' costs of providing or subsidizing child care for their employees. The maximum credit is \$600,000.*

### ■ Impact

Access to child care creates flexibility for workers and stability for employers, but employers' uptake for 45F has been low, in part because companies must spend a significant amount on employer-provided child care or resource and referral services to receive the maximum credit.<sup>10</sup>

### ■ Up on the Hill

OBBC increased the maximum credit from \$150,000 to \$600,000 and enhanced the percentage of qualified child care expenses covered from 25% to 50% for small businesses.<sup>11</sup>

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## Paid Leave Credit (45S)

*This credit offsets up to 25% of the cost to businesses that provide paid family and medical leave benefits to their employees.*

### ■ Impact

Limited awareness and uptake among businesses, along with a lack of certainty about the credit's future, have hindered the effectiveness of 45S. Despite low uptake by employers, Bipartisan Policy Center polling found that prime-age adults who are not in the labor force but are considering returning to work believe that paid family and medical leave is just as important as compensation.<sup>12</sup>

### ■ Up on the Hill

OBBC made the 45S tax credit permanent and allows for more flexible policy options to qualify for the credit.<sup>13</sup> Going forward, policymakers should consider how to better market this program and educate employers about its benefits to increase uptake and expand access to paid leave for workers.

**“We believe that if you’re good to people, they will be good to you. We want to be able to offer our employees benefits outside of the basic benefits, but the costs are too high to be feasible.” — Small Business Owner at February 2025 BPC + TriNet Roundtable**



### Workforce Development Programs

*These programs train, upskill, or reskill learners and workers to prepare them for employment. Development programs include traditional postsecondary degree programs, short-term and noncredit programs, on-the-job training, internships, registered apprenticeships, professional development courses, certifications, and mentorship programs.*

#### ■ Impact

These programs can benefit small businesses by expanding the pool of qualified workers for in-demand roles, particularly in industries with labor shortages. They help learners and workers gain relevant skills through easily accessible and targeted educational opportunities.<sup>14</sup> Small businesses, however, can find it difficult to access workforce development programs because employers are not always involved in planning or designing the programs. This leads programs that are often misaligned with businesses' needs.

#### ■ Up on the Hill

OBBB authorized the expansion of federal Pell Grants to short-term training programs. Going forward, Small Business Administration (SBA) resource partners can work to connect small employers with community colleges and training providers to improve job placement and ensure that small employers get the qualified workers they need. Both chambers of Congress have introduced bills that seek to improve workforce development programs, while the Trump administration has focused on apprenticeship programs.

*“It’s crucial for policymakers to understand the real-world impacts of their policies so that [small businesses] can thrive and help the economy thrive too.” — Small Business Owner at February 2025 BPC + TriNet Roundtable*

**BPC is committed to addressing the human capital challenge.**

Learn how worker supports and workforce development issues are crucial to our [Commission on the American Workforce's](#) national talent strategy.

## END NOTES

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- 6 Merrill, “Workplace Retirement Plans: Attractive tax credits to start a retirement plan,” 2024. Available at: <https://business.bofa.com/content/dam/flagship/workplace-benefits/secure-2-act/secure-2-ML.pdf>.
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- 7 Small Nonprofit Retirement Security Act of 2025, H.R. 4548, 119th Cong., 2025. Available at: <https://www.congress.gov/bill/119th-congress/house-bill/4548>.
- 8 Bureau of Labor Statistics, “Employee Benefits in the United States,” U.S. Department of Labor, September 2024. Available at: <https://www.bls.gov/ebs/publications/employee-benefits-in-the-united-states-march-2024.htm>.
- 9 One Big Beautiful Bill Act, H.R. 1, 119th Cong., Sec. 70404, 2025. Available at: <https://www.congress.gov/bill/119th-congress/house-bill/1>.
- 10 Linda Smith, Caroline Osborn, and Brittany Walsh, “The Employer-Provided Child Tax Credit (45F),” Bipartisan Policy Center, November 8, 2022. Available at: <https://bipartisanpolicy.org/explainer/employer-provided-child-care-credit/>.

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