

2025 Progress Across 50 States and DC: State Policy Wins in Finance

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This analysis of the year in early childhood state policy advocacy relies on data from a survey of early childhood policy advocates in all 50 states and the District of Columbia, conducted May 2025 through December 2025. The survey asked them for highlights from the year, so the results are representative and not comprehensive. Policy "wins" include legislation, funding increases, executive actions, and regulatory changes.

The survey was developed and executed by Dr. Lisa Kerber of Frontera Strategy. Frontera supports advocacy efforts nationwide by providing qualitative and quantitative research services, including needs assessments and environmental scans, program and policy evaluation, statistical analyses, and survey research for associations, foundations, and nonprofit service organizations active in state capitols.

Jason Sabo
sabo@fronterastrategy.com

Lisa Kerber, PhD
kerber@fronterastrategy.com

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Suggested Citation: Alliance for Early Success, *50-State Early Childhood Policy Progress and Landscape Report, 2025*.

Progressive Tax Structures (Capital Gains Corporate, Estate, Property)

Rhode Island

A new tax was established applying to non-owner occupied houses valued over \$1 million to provide funding for state tax credits to build and sustain more affordable housing. Known informally as the Taylor Swift Tax, because she has a vacation home on the ocean in RI valued at \$28 million, this tax was passed facing significant opposition from the real estate industry.

State funding: Relatively large increase of state funding

[Giant Budget Bill](#)

[Summary highlighting new tax under housing](#)

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Washington

Senate Bill 5813 strengthens the state's education funding by creating a more progressive tax structure for the capital gains and estate taxes, thereby increasing contributions to the Education Legacy Trust Account (ELTA). Key provisions of the bill include 1) Capital Gains Tax Reform: ESSB 5813 introduces a more progressive rate structure for the state's 7% capital gains excise tax. This adjustment aims to ensure that higher-income individuals contribute a fairer share to the state's education funding, 2) Estate Tax Adjustments: The bill also revises the estate tax, increasing the exclusion amount and adjusting the graduated rate schedule. These changes are designed to enhance the equity and efficiency of the estate tax system, ensuring that the wealthiest individuals contribute appropriately to public education funding. The additional revenue generated from these tax reforms is directed into the ELTA, which supports common schools, higher education access, and other educational improvement efforts. By implementing these tax reforms, SB 5813 aims to provide a more equitable and sustainable funding source for education in Washington state. The increased contributions to the ELTA are expected to support various educational initiatives, including expansion of access to higher education and improvements in K-12 education systems.

Target population: Residents with low and middle incomes who disproportionately shoulder the burden of our state's regressive tax system; the intent of the bill is to create a more equitable tax system that provides greater support to populations that have been disproportionately impacted by the state's previous tax structure, enhancing educational opportunities for these communities.

State funding: Relatively small increase of state funding

Quantify: Projections indicate that this legislation will generate \$321.6 million for the next budget

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Washington

House Bill 2081 increases certain business and occupation (B&O) taxes with the goal of enhancing funding for public services. Among other things, the bill includes a new 0.5%

surcharge on large businesses earning over \$250 million and increases rates for several existing B&O surcharges. This measure is designed to increase contributions from large corporations to the state's revenue pool. Other key provisions include (1) Advanced Computing Surcharge Cap: The bill modifies the cap on the advanced computing surcharge, potentially affecting companies in the technology sector, (2) Tax Rate Adjustments: Adjustments are made to various B&O tax rates, including those for extractors, manufacturers, and retailers, to align with the state's revenue needs, (3) Investment Deduction Clarification: Clarifies the B&O tax deduction for certain investments, providing clearer guidelines for businesses. The bill specifies staggered effective dates for its provisions, with most taking effect on July 27, 2025.

Target population: While the bill does not explicitly name specific populations, its provisions are designed to benefit all Washington residents by enhancing funding for public services. The increased revenue is expected to support programs that serve communities, including under-resourced communities. This is also part of a broader package of progressive revenue bills that is intended to address Washington's regressive tax system.

State funding: Relatively large increase of state funding

Quantify: The policy projected to bring in almost \$2.1 billion for the next budget and \$5.6 billion over four years. This will cover roughly one-third of the state's estimated \$16 billion budget shortfall over the next four years.

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Improving Efficiency and Fairness of State's Tax System

Washington

Senate Bill 5794 aimed to refine Washington state's tax code. It adopts recommendations from the tax preference performance review process, eliminates obsolete tax preferences, clarifies legislative intent, and addresses changes in constitutional law. The primary goal of SB 5794 is to improve the efficiency and fairness of the state's tax system by removing outdated provisions and ensuring that the tax code aligns with current constitutional standards.

Target population: All Washington residents, potentially reducing disparities among different income groups

State funding: Relatively small increase of state funding

Quantify: This would likely impact 15,000 taxpayers, and changes are estimated to bring in about \$148.5 million for the next budget

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Investments in Endowments and Funds for ECE

Connecticut

Connecticut created an Early Childhood Endowment, seeded with \$300 million and receiving all unappropriated surplus each year going forward. This endowment is a non-lapsing fund that will

grow with annual deposits and market returns. The endowment will be invested by the State Treasurer and managed by an independent board for the purpose of strengthening and growing Connecticut's Early Start program. It will increase provider payment rates to raise wages for early educators to parity with their public school counterparts, lower tuition to no more than 7% of household income, eliminate tuition for families with an income below \$100,000, and expand the system to serve more children. The current Early Start System serves roughly 18,000 children (15,167 preschoolers and 2,946 infants/toddlers) and is expected to add roughly 16,000 new children over the next seven years. At least 35% of these new slots must be for infants/toddlers.

Target population: The primary beneficiaries from this win will be families enrolled in the state Early Start program who will see their tuition reduced or eliminated, as well as the teachers who work in those programs who will see significant pay raises to get them to parity with public school teachers. Additionally, all early educators will have access to \$10 million in health care subsidies through a program inspired by Washington DC's program.

State funding: Relatively large increase of state funding

Quantify: The new law put \$300 million into an early childhood endowment and annually puts all unappropriated surplus into the Endowment.

[Link](#) (Sections 1-15)

[Story](#)

Connecticut

The legislature created a "Just in case" fund to address potential shortfalls in anticipated federal funding. They put \$150 million into that fund in FY2026 and \$600 million in FY 2027.

Target population: This appropriation is to prevent cuts of services to vulnerable populations if federal funds are cut.

State funding: Relatively large increase of state funding

Quantify: \$150 million in FY2026 and \$600 million in FY 2027

[Link](#)

Louisiana

The Louisiana Legislature passed Act 298, which could increase revenue dedicated to the Louisiana Early Childhood Education Fund (ECE Fund). The ECE Fund is a 1:1 matching program that pairs local investments in early childhood education with state dollars. One of the fund's dedicated revenue streams is online sports betting. This legislation raises the online sports betting tax rate from 15% to 21.5%. If gaming revenues remain steady despite the tax increase, revenue into the ECE Fund will likely reach its current \$20 million cap.

Target population: While this policy targets online sports betting, the early childhood education system will likely benefit from the resulting increase in tax revenue. The ECE Fund provides a 1:1 match for local investments directly used to expand access to ECE for children from birth to age three. As a result, this bill could indirectly benefit local communities that receive matching funds from the ECE Fund and may lead to more children gaining access to child care.

State funding: Relatively large increase of state funding

Quantify: Under the previous tax rate, sports betting generated more than \$16.3 million during fiscal year 2024-2025. Projections suggest that the increased tax rate will cause revenues to

reach the current \$20 million cap relatively quickly, provided consumer habits remain unchanged.

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Montana

HB 924 revises state finance laws, including the establishment of the Montana Early Childhood Special Revenue Account with a \$10 million appropriation (seed funding) that will gain interest over time. The fund could be used to support various early childhood initiatives, guided by the Montana Early Childhood Strategic Plan and Comprehensive Fiscal Analysis and managed by a public/private board. The fund may also receive private donations to expand its impact.

Examples of what the fund could support include: Early childhood workforce development, Child care quality improvements, Child care affordability initiatives, Early childhood innovation programs, and Emergency assistance for families with young children.

Target population: The early childhood workforce, families, tribal populations, infant-toddler care, rural communities

State funding: Relatively large increase of state funding

Quantify: Initial seed investment for the Early Childhood Special Revenue Account is \$10 million.

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Tax Benefits for Employers Supporting Child Care

Alaska

SB96 is the second of the pair of child care bills that were re-passed this legislative session. This legislation provides tax credits for investments in child care to businesses in specific sectors.

State funding: Relatively small increase of state funding

[Link](#)

Georgia

A new tax credit package: 1) establishes a \$250 non-refundable child tax credit for children under age 6; 2) increases the state Child and Dependent Care Tax Credit (CDCTC) from 30% to 50% of the federal credit; and 3) provides tax benefits to employers who make direct payments to child care facilities to cover a portion of employees' child care costs. This tax credit package, which received bipartisan and bicameral support, is a direct outcome of the Senate Study Committee on Access to Affordable Childcare.

Target population: Employers, parents with young children (with tax liability). More specifically: 1) Employers who want to support employees' child care costs (employer benefits) 2) Parents with children under age 6 (with tax liability) (State Child Tax Credit) 3) Parents with children under age 13 with eligible child care expenses (CDCTC).

State funding: Relatively large increase of state funding

Quantify: Up to 1,115,000 children under 13 whose parent(s) are both employed and in need of child care

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Indiana

Senate Bill 463 included an extension through 2027 of a tax credit for businesses that want to open on-site or near-site child care facilities for the children of their employees.

Target population: Businesses who are interested in or have made strides toward opening child care facilities

State funding: No change in state funding related to this win

Quantify: Waiting for data from the Department of Revenue as to uptake by businesses for the first iteration of the tax credit.

[Link](#)

Louisiana

The Louisiana Legislature passed Act 454, which revamps the business-supported child care portion of the School Readiness Tax Credits. This is the first significant enhancement to the tax credits in over a decade. The legislation renames the School Readiness Tax Credits as the “Workforce Child Care Tax Credits” and increases the credit for businesses that support child care access for their employees. Businesses can now contribute up to \$10,000 per child or \$100,000 for a set of child care seats per year and receive up to a 50% tax credit, depending on the quality rating of the child care provider they support.

Target population: If their employer offers child care as a workplace benefit, parent employees could have their child care expenses reduced. Additionally, the legislation aims to incentivize more businesses to participate in the tax credits. Employer-supported child care tax credits do not require parent employees to meet specific qualifications, meaning employers can receive the credit regardless of whether their parent employees qualify for public assistance programs.

State funding: Relatively small increase of state funding

Quantify: Depending on the business community's engagement, this legislation could increase the number of children accessing early childhood programs. Prior to the legislation, fewer than 25 businesses in the state participated in the tax credit.

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Nebraska

LB182 makes banks and insurance companies eligible for a nonrefundable tax credit under the Child Care Tax Credit Act when they make a qualifying contribution to the child care industry.

State funding: No change in state funding related to this win

[Link](#)

Property Tax Relief for Child Care Providers

Maryland

HB 389 "Property Tax - Day Care Centers, Child Care Homes, and Child Care Centers" reforms the property tax credits that counties are authorized to offer child care programs and allows a credit for child care providers' real property (buildings and land). It also allows a similar credit for businesses that create on-site space for child care. Four counties in Maryland currently offer one or both credits. Advocates supported the bill in hopes that more counties will offer them and that the counties currently offering them expand their credits. The bill raises the maximum allowed property tax credit for child care providers from \$3,000 to \$10,000. Property tax credits are one strategy to provide financial support to those who provide a vital service to communities.

Target population: Child care centers, family child care homes, and large family child care homes

State funding: No change in state funding related to this win

Quantify: This legislation enables action by local jurisdictions, so it is too soon to quantify impact. Communities may see an increase in the availability of child care, and the tax burden on child care providers will be reduced.

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