

STATE OF NEW YORK

9485

IN SENATE

March 17, 2026

Introduced by Sen. ASHBY -- read twice and ordered printed, and when printed to be committed to the Committee on Finance

AN ACT to amend the state finance law and the tax law, in relation to the establishment of the small business child and dependent care savings program

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The state finance law is amended by adding a new article 17
2 to read as follows:

ARTICLE 17

NEW YORK STATE SMALL BUSINESS CHILD AND DEPENDENT CARE SAVINGS PROGRAM

Section 255. Short title.

256. Definitions.

257. Program established.

258. Program administration.

259. Program implementation and enrollment.

260. Payments.

261. Duty and liability of the state.

262. Duty and liability of participating employers.

263. Delayed implementation.

14 § 255. Short title. This act shall be known and may be cited as the
15 "New York small business child and dependent care savings program act".

16 § 256. Definitions. The following terms shall have the following mean-
17 ings:

18 1. "Commissioner" shall mean the commissioner of labor.

19 2. "Comptroller" shall mean the comptroller of the state.

20 3. "Employee" shall mean any individual who is eighteen years of age
21 or older, who is employed by an employer, and who earned wages working
22 for an employer in New York state during a calendar year.

23 4. "Employer" shall mean a person or entity engaged in a business,
24 industry, profession, trade, or other enterprise in New York state,
25 whether for profit or not for profit, that (a) has at all times during
26 the previous calendar year employed at least one but not more than one

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 hundred employees in the state, (b) has been in business at least two
2 years, and (c) has not offered a child and dependent care savings plan.

3 5. "Enrollee" shall mean any employee who is enrolled in the program.

4 6. "Fund" shall mean the New York small business child and dependent
5 care savings program fund.

6 7. "Participating employer" shall mean a small business that provides
7 a payroll child and dependent care savings arrangement as provided for
8 by this article for its employees who are enrollees in the program.

9 8. "Payroll deposit child and dependent care savings arrangement"
10 shall mean an arrangement by which a participating employer allows
11 enrollees to remit payroll deduction contributions to the program.

12 9. "Program" shall mean the New York state small business child and
13 dependent care savings program.

14 10. "Small business" shall mean a person or entity engaged in a busi-
15 ness, industry, profession, trade, or other enterprise in New York
16 state, whether for profit or not for profit, that employed at least one
17 but no more than one hundred employees at any one time in the state
18 throughout the previous calendar year, and that notifies the comptroller
19 that it is interested in being a participating employer.

20 11. "Wages" means any compensation received by an enrollee from a
21 participating employer during the calendar year.

22 12. "Internal revenue code" shall mean the internal revenue code of
23 nineteen hundred eighty-six, or any successor law, in effect for the
24 calendar year.

25 13. "Administrators" shall mean the commissioner of labor together
26 with the comptroller.

27 § 257. Program established. A state child and dependent care savings
28 program in the form of payroll deduction, known as the New York state
29 small business child and dependent care program, is hereby established
30 for the purpose of promoting greater child and dependent care savings
31 for private-sector employees of small businesses in a convenient, low-
32 cost, and portable manner.

33 § 258. Program administration. The administration of the program shall
34 be overseen by both the comptroller and the commissioner. The adminis-
35 trators are authorized and directed to establish a flexible benefits
36 program consistent with sections one hundred twenty-five and one hundred
37 twenty-nine of the internal revenue code and regulations adopted pursu-
38 ant thereto. The administrative duties and responsibilities are as
39 follows:

40 1. Cause the program to be designed, established and operated in a
41 manner that:

42 (a) maximizes participation and savings;

43 (b) maximizes simplicity, including ease of administration for partic-
44 ipating employers and enrollees;

45 2. Determine the number and duties of staff members needed to adminis-
46 ter the program and assemble such staff, including, as needed, employing
47 staff and appointing a program administrator.

48 3. Evaluate and establish the process by which an enrollee is eligible
49 to contribute a portion of their wages to the program for automatic
50 deposit and the process by which the participating employer provides a
51 payroll deposit child and dependent care savings arrangement to forward
52 those contributions and related information to the program, including,
53 but not limited to, contracting with financial service companies and
54 third-party administrators with the capability to receive and process
55 employee information and contributions for payroll deposit child and
56 dependent care savings arrangements or similar arrangements.

1 4. Design and establish the process for enrollment including the proc-
2 ess by which an employee can opt not to participate in the program,
3 select a contribution amount or terminate participation in the program.

4 5. Evaluate and establish the processes by which an employee may
5 voluntarily enroll in and make contributions to the program.

6 6. Set minimum and maximum contribution levels in accordance with
7 limits.

8 7. Facilitate education and outreach to employers and employees.

9 8. Carry out the duties and obligations of the program in an effec-
10 tive, efficient, and low-cost manner.

11 9. Exercise any and all other powers reasonably necessary for the
12 effectuation of the purposes, objectives, and provisions of this arti-
13 cle.

14 10. Determine withdrawal provisions, such as economic hardships,
15 portability and leakage.

16 § 259. Program implementation and enrollment. Except as otherwise
17 provided in this article, the program shall be implemented, and enroll-
18 ment of employees shall begin, within twelve months after the effective
19 date of this article. The provisions of this section shall be in force
20 at such time as the program administrators open the program for enroll-
21 ment.

22 1. Each participating employer shall establish a payroll deposit child
23 and dependent care savings arrangement to allow each employee to partic-
24 ipate in the program after the program administrators open the program
25 for enrollment.

26 2. Enrollees shall have the ability to select a contribution level to
27 the fund. This level may be expressed as a percentage of wages or as a
28 dollar amount. Enrollees may change their contribution level at any
29 time, subject to rules promulgated by the program administrators.

30 3. Following initial implementation of the program pursuant to this
31 section, at least once every year, participating employers shall desig-
32 nate an open enrollment period during which employees who previously
33 opted out of the program may enroll in the program.

34 4. An employee who opts out of the program and who subsequently wants
35 to participate through the participating employer's payroll deposit
36 child and dependent care savings arrangement may only enroll during the
37 participating employer's designated open enrollment period or if permit-
38 ted by the participating employer at an earlier time.

39 5. Employers shall retain the option, at all times, to set up any type
40 of employer-sponsored child and dependent care savings plan instead of
41 having a payroll deposit child and dependent care savings arrangement
42 such that employees are allowed to participate in the program.

43 6. An enrollee may terminate their participation in the program at any
44 time in a manner prescribed by the program administrators.

45 7. To the extent permitted by section one hundred twenty-five of the
46 internal revenue code and regulations adopted pursuant thereto, and
47 salary deferred by an employee as defined in subdivision three of
48 section two hundred fifty-six of this article under a flexible benefits
49 program established pursuant to this article shall be considered part of
50 annual compensation for the purpose of computing retirement benefits.

51 § 260. Payments. Employee contributions deducted by the participating
52 employer through payroll deduction shall be paid by the participating
53 employer to the fund using one or more payroll deposit child and depend-
54 ent care savings arrangements established by the administrator under
55 this article, either:

1 1. on or before the last day of the month following the month in which
2 the compensation otherwise would have been payable to the employee in
3 cash; or

4 2. before such later deadline prescribed by the administrator for
5 making such payments, but not later than the due date for the deposit of
6 tax required to be deducted and withheld relating to collection of
7 income tax at source on wages or for the deposit of tax required to be
8 paid under the unemployment insurance system for the payroll period to
9 which such payments relate.

10 § 261. Duty and liability of the state. The state shall have no duty
11 or liability to any party for the payment of any child and dependent
12 care savings benefits accrued by any enrollee under the program. Any
13 financial liability for the payment of child and dependent savings bene-
14 fits in excess of funds available under the program shall be borne sole-
15 ly by the entities with whom the program administrators contract to
16 provide insurance to protect the value of the program.

17 § 262. Duty and liability of participating employers. 1. Participat-
18 ing employers shall not have any liability for the decision of an
19 employee to participate in or opt out of the program.

20 2. A participating employer shall not be a fiduciary, nor considered
21 to be, a fiduciary over the program. A participating employer shall not
22 bear responsibility for the administration of the program. A partic-
23 ipating employer shall not be liable for program design and benefits
24 paid to program participants.

25 § 263. Delayed implementation. If the program administrators do not
26 obtain adequate funds to implement the program within the time frame set
27 forth under this article or such funds are subject to appropriation, the
28 program administrators may delay the implementation of the program.

29 § 2. The state finance law is amended by adding a new section 99-uu to
30 read as follows:

31 § 99-uu. New York state small business child and dependent care
32 program fund. 1. There is hereby established within the joint custody of
33 the commissioner of taxation and finance and the state comptroller, a
34 new fund to be known as the New York state small business child and
35 dependent care program fund.

36 2. The fund shall include the child and dependent care savings
37 accounts of enrollees, which shall be accounted for as individual
38 accounts.

39 3. Moneys in the fund shall consist of moneys received from enrollees
40 and participating employers pursuant to automatic payroll deductions and
41 contributions to savings made under the New York state small business
42 child and dependent care program.

43 4. The fund shall be operated in a manner determined by the adminis-
44 trators of the New York state small business child and dependent care
45 savings program.

46 5. The amounts deposited in the fund shall not constitute property of
47 the state and the fund shall not be construed to be a department, insti-
48 tution, or agency of the state. Amounts on deposit in the fund shall not
49 be commingled with state funds and the state shall have no claim to or
50 against, or interest in, such funds.

51 § 3. Subsection (c) of section 612 of the tax law is amended by adding
52 a new paragraph 48 to read as follows:

53 (48) Any payroll deduction for child and dependent care services,
54 pursuant to article seventeen of the state finance law.

55 § 4. This act shall take effect immediately.