

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL 538

Short Title: Family Empowerment Act. (Public)

Sponsors: Senators Theodros and Murdock (Primary Sponsors).

Referred to: Rules and Operations of the Senate

March 26, 2025

A BILL TO BE ENTITLED
AN ACT TO EXPAND CHILD CARE ASSISTANCE, ESTABLISH STATE-LEVEL FAMILY
LEAVE INCENTIVES, STRENGTHEN PARENTAL SUPPORT SERVICES, AND
PROMOTE WORK-FAMILY BALANCE IN NORTH CAROLINA AND
APPROPRIATING FUNDS FOR THOSE PURPOSES.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Title. – This act shall be known and may be cited as the "Family Empowerment Act."

SECTION 1.(b) The following definitions apply in this act:

- (1) Child Care Assistance Program. – Financial aid for eligible families to cover child care expenses.
- (2) Family leave incentives. – State-sponsored tax incentives for businesses providing paid parental or caregiving leave.
- (3) Parental support services. – Parenting education, financial counseling, and home-visiting programs to assist families in achieving economic stability.
- (4) Flexible work arrangements. – Employer policies that allow telework, alternative schedules, and caregiver-friendly workplace practices.

SECTION 1.(c) Findings. – The General Assembly finds that North Carolina families face increasing economic pressures and challenges in balancing work and caregiving responsibilities. Expanding access to child care, parental leave, and family support services will enhance economic security and overall family well-being for the people of this State.

SECTION 2. Expanded Child Care Support. – The North Carolina Department of Health and Human Services (DHHS) shall expand the Child Care Subsidy Program by increasing funding and broadening eligibility to families earning up to three hundred percent (300%) of the federal poverty level. Priority shall be given to single-parent households and families in industries with nontraditional work hours.

SECTION 3. Reducing Costs for Working Families. – By January 1, 2027, the DHHS, in conjunction with other relevant State agencies, shall develop a tiered copayment structure ensuring families pay no more than seven percent (7%) of their household income on child care. Child care providers receiving State subsidies shall meet quality early childhood education standards to ensure program effectiveness.

SECTION 4.(a) Employer Tax Incentives for Paid Family Leave. – Pursuant to Section 10 of this act, the North Carolina Department of Revenue shall establish the tax credit program for businesses offering at least four weeks of paid parental leave or paid family caregiving leave. Eligible businesses shall receive a credit of up to two thousand five hundred



dollars (\$2,500) per participating employee, capped at two hundred fifty thousand dollars (\$250,000) per year per business.

SECTION 4.(b) Small Business Family Leave Grants. – By January 1, 2027, businesses with fewer than 50 employees offering paid family leave shall be eligible to participate in a State-funded grant program to offset costs. Grant applications shall be developed and administered by the Department of Commerce, in conjunction with other relevant State agencies. Funds shall be prioritized for businesses in rural and underserved communities.

SECTION 5.(a) Expansion of Home-Visiting Programs. – DHHS shall expand funding for home-visiting programs that provide early childhood education, parenting skills training, and infant health support. Services shall be prioritized for families below two hundred fifty percent (250%) of the federal poverty level and those at risk of child welfare involvement.

SECTION 5.(b) Financial Counseling and Family Stability Services. – By January 1, 2027, the State shall develop and implement financial literacy workshops and economic empowerment programs to assist parents with budgeting, savings, and access to resources. Partnerships shall be established with community organizations, credit unions, and financial institutions to expand access to free financial counseling. The Department of Commerce shall lead relevant State agencies to develop this program.

SECTION 6.(a) Flexible Work Arrangements Encouragement. – By January 1, 2027, the North Carolina Department of Labor shall develop guidelines and incentives for businesses adopting flexible work policies such as telework, alternative schedules, and caregiving leave. Employers implementing flexible work policies shall receive State recognition and certification under a new "Family-Friendly Workplace" designation.

SECTION 6.(b) State Employee Work-Family Balance Initiative. – State agencies shall adopt model flexible work policies to support work-life balance for State employees. Agencies shall conduct annual surveys to assess employee needs regarding work flexibility and family support.

SECTION 7.(a) Funding Sources. – This act shall be funded through State appropriations, federal family support grants, and public-private partnerships.

SECTION 7.(b) Appropriation/Time Line. – There is appropriated from the General Fund to the Department of Health and Human Services the sum of seventy-five million dollars (\$75,000,000) in each year of the 2025-2027 fiscal biennium to implement and sustain the programs enacted by this act, effective July 1, 2025, and July 1, 2026, respectively.

SECTION 7.(c) Implementation Time Line. – This act shall be implemented as follows:

- (1) Expansion of Child Care Assistance Programs shall begin by January 1, 2026.
- (2) Employer tax incentives and Family Leave Grant Programs shall take effect July 1, 2026.
- (3) Parental Support Services Expansion shall be fully operational by December 1, 2026.

SECTION 8.(a) Family Support Oversight Board. – Effective January 1, 2026, the Family Support Oversight Board (Board) is established to monitor program effectiveness and recommend improvements. The Board shall consist of the following members, each to serve a one-year term:

- (1) One senator appointed by the President Pro Tempore of the Senate.
- (2) One representative appointed by the Speaker of the House of Representatives.
- (3) Two persons representing early childhood education organizations, appointed by the Governor.
- (4) Two persons who are labor and workforce policy experts, appointed by the Governor.
- (5) One representative from DHHS appointed by the Secretary of the Department.

Two cochairs of the Board shall be appointed by the Governor. Members of the Board shall receive per diem and necessary travel and subsistence expenses in accordance with G.S. 120-3.1, 138-5, and 138-6, as applicable. A majority of the voting members shall constitute a quorum. Vacancies shall be filled by the appointing authority.

SECTION 8.(b) Beginning January 1, 2027, the Board shall submit an annual report to the General Assembly concerning the following:

- (1) The impact of child care support expansions.
- (2) Effectiveness of paid family leave tax incentives.
- (3) Work-family balance trends across participating businesses.

The reports shall be made publicly accessible through the DHHS website.

SECTION 9. Rulemaking. – The Department of Health and Human Services and the Department of Labor may adopt rules to implement the provisions of this act.

SECTION 10.(a) Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-153.12. Family empowerment tax credit.

(a) Definitions. – The following definitions apply in this section:

- (1) Eligible employee. – An employee of an eligible employer. For purposes of this subdivision, "employee" has the same meaning as provided in G.S. 105-163.1.
- (2) Eligible employer. – A business with a physical presence in this State that (i) is an employer as defined in G.S. 105-163.1, (ii) provides paid leave to eligible employees, and (iii) is subject to income tax under this Article.
- (3) Paid leave. – One hundred percent (100%) paid leave provided by an eligible employer for a minimum of four weeks to an eligible employee experiencing a qualifying event.
- (4) Qualifying event. – The birth of a child to an eligible employee or the adoption, foster care placement, or other legal placement of a child with an eligible employee.

(b) Credit. – A taxpayer who is an eligible employer is allowed a credit against the taxes imposed by Part 1, Part 1A, or Part 2 of this Article, as appropriate, equal to the lesser of (i) the amount of paid leave paid by the eligible employer during the taxable year or (ii) two thousand five hundred dollars (\$2,500) of paid leave per eligible employee paid by the eligible employer during the taxable year.

(c) Limit. – The amount of credit allowed to a single eligible employer may not exceed two hundred fifty thousand dollars (\$250,000) for any one calendar year."

SECTION 10.(b) This section is effective for taxes imposed for taxable years beginning on or after January 1, 2026.

SECTION 11. Effective Date. – Except as otherwise provided, this act is effective when it becomes law.