

HB 870 -- CHILD TAX CREDITS

SPONSOR: Shields

CHILD CARE CONTRIBUTION TAX CREDIT ACT

This bill establishes the "Child Care Contribution Tax Credit Act". Beginning January 1, 2023, a taxpayer may claim a tax credit for verified contributions to a child care provider in an amount equal to 75% of the contribution. The minimum amount of any tax credit issued shall not be less than \$100, and shall not exceed \$200,000 per tax year.

To be eligible for the tax credit, a donation must be:

(1) Used directly by a child care provider to promote child care for children 12 years of age or younger;

(2) Made to a child care provider in which the taxpayer or a person related to the taxpayer does not have a direct financial interest; and

(3) Not made in exchange for care of a child or children in the case of an individual taxpayer that is not an employer making a contribution on behalf of its employees.

The tax credits authorized by this section shall not be refundable and shall not transferred, sold, or otherwise conveyed. The cumulative amount of tax credits authorized shall not exceed \$20 million for each calendar year. If the maximum amount of tax credits allowed in any calendar year is authorized, the maximum amount of tax credits shall be increased by 15%, provided that all such increases of tax credits shall be reserved for contributions made to child care providers located in a child care desert.

The program authorized under this section will expire December 31, 2029.

EMPLOYER PROVIDED CHILD CARE ASSISTANCE TAX CREDIT ACT

This bill also establishes the "Employer Provided Child Care Assistance Tax Credit Act". Beginning January 1, 2023, a taxpayer may claim a tax credit in an amount equal to 30% of the qualified child care expenditures paid or incurred with respect to a child care facility. The maximum amount of any tax credit issued shall not exceed \$200,000 per taxpayer per tax year.

A facility shall not be treated as a child care facility with respect to a taxpayer unless the following conditions have been met:

(1) Enrollment in the facility is open to employees of the taxpayer during the tax year; and

(2) If the facility is the principal business of the taxpayer, at least 30% of the enrollees of such facility are dependents of employees of the taxpayer.

The tax credits shall not be refundable, transferable, sold, assigned, or otherwise conveyed. The cumulative amount of tax credits shall not exceed \$20 million for each calendar year. If the maximum amount of tax credits allowed in any calendar year is authorized, the maximum amount of tax credits shall be increased by 15%, provided that all such increases of tax credits shall be reserved for contributions made to child care providers located in a child care desert.

The program authorized under this section will expire December 31, 2029.

CHILD CARE PROVIDERS TAX CREDIT ACT

This bill also establishes the "Child Care Providers Tax Credit Act". Beginning January 1, 2024, a child care provider with three or more employees may claim a tax credit in an amount equal to the child care provider's eligible employer withholding tax, and may also claim a tax credit in an amount up to 30% of the child care provider's capital expenditures.

No tax credit for capital expenditures shall be allowed if the capital expenditures are less than \$1,000. The amount of any tax credit issued shall not exceed \$200,000 per child care provider per tax year.

To claim a tax credit for capital expenditures, a child care provider shall present proof acceptable to the Department of Elementary and Secondary Education that the expenditures fall within the definition of capital expenditure, as defined in the bill.

The tax credits shall not be refundable and shall not be transferred, sold, assigned, or otherwise conveyed. Any amount of credit that exceeds the child care provider's state tax liability for the tax year for which the tax credit is issued may be carried back to the child care provider's immediately prior tax year or carried forward to the child care provider's subsequent tax year

for up to five succeeding tax years. The cumulative amount of tax credits authorized pursuant to this section shall not exceed \$20 million for each calendar year.

If the maximum amount of tax credits allowed in any calendar year is authorized, the maximum amount of tax credits shall be increased by 15%, provided that all such increases of tax credits shall be reserved for contributions made to child care providers located in a child care desert.

The program authorized under this section will expire December 31, 2029.