SECOND REGULAR SESSION
[PERFECTED]

HOUSE BILL NO. 1488

102ND GENERAL ASSEMBLY

AN ACT

To amend chapter 135, RSMo, by adding thereto three new sections relating to tax credits for child care.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapter 135, RSMo, is amended by adding thereto three new sections, to be known as sections 135.1310, 135.1325, and 135.1350, to read as follows:

135.1310. 1. This section shall be known and may be cited as the "Child Care Contribution Tax Credit Act".

2. For purposes of this section, the following terms shall mean:

(1) "Child care", the same as defined in section 210.201;

(2) "Child care desert", a census tract that has a poverty rate of at least twenty percent or a median family income of less than eighty percent of the statewide average and where at least five hundred people or thirty-three percent of the population are located at least one-half mile away from a child care provider in urbanized areas or at least ten miles away in rural areas;

(3) "Child care provider", a child care provider as defined in section 210.201 that is licensed pursuant to section 210.221, or that is unlicensed and that is registered with the department of elementary and secondary education;

(4) "Contribution", an eligible donation of cash, stock, bonds or other marketable securities, or real property. "Contribution" shall include the reasonable purchase price paid for an employer's purchase of child care from a child care provider for the children of the employer's employees;

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in bold-face type in the above bill is proposed language.
(5) "Department", the Missouri department of economic development;

(6) "Intermediary", a nonprofit organization that is, or agrees to become, subject to the jurisdiction of this state for the purposes of the administration and enforcement of this section, and that distributes funds for the purposes of supporting a child care provider;

(7) "Person related to the taxpayer", an individual connected with the taxpayer by blood, adoption, or marriage, or an individual, corporation, partnership, limited liability company, trust, or association controlled by, or under the control of, the taxpayer directly, or through an individual, corporation, limited liability company, partnership, trust, or association under the control of the taxpayer;

(8) "Rural area", a town or community within the state that is not within a metropolitan statistical area and has a population of six thousand or fewer inhabitants as determined by the last preceding federal decennial census or any unincorporated area not within a metropolitan statistical area;

(9) "State tax liability", any liability incurred by a taxpayer pursuant to chapter 143 or chapter 148, exclusive of the provisions relating to the withholding of tax as provided for in sections 143.191 to 143.265 and related provisions;

(10) "Tax credit", a credit against the taxpayer's state tax liability;

(11) "Taxpayer", a corporation as defined in section 143.441 or 143.471, any charitable organization that is exempt from federal income tax and whose Missouri unrelated business taxable income, if any, would be subject to the state income tax imposed under chapter 143, or individuals or partnerships subject to the state income tax imposed by the provisions of chapter 143.

3. For all tax years beginning on or after January 1, 2025, a taxpayer may claim the tax credit authorized in this section against the taxpayer's state tax liability for the tax year in which a verified contribution was made in an amount equal to seventy-five percent of the verified contribution to a child care provider or intermediary. The minimum amount of any tax credit issued shall not be less than one hundred dollars and shall not exceed two hundred thousand dollars per tax year.

(1) The child care provider or intermediary shall apply to the department to participate in the program established in this section, using a form prescribed by the department. The department shall determine eligibility and enter into an agreement that meets the requirement of section 620.017 with an eligible child care facility or intermediary. Only contributions to child care providers and intermediaries that have entered into an agreement with the department may receive a tax credit pursuant to this section.
(2) The child care provider or intermediary receiving a contribution shall, within sixty days of the date it received the contribution, file a contribution verification with the department and issue a copy of the contribution verification to the taxpayer. The contribution verification shall be in the form established by the department and shall include the taxpayer's name, taxpayer's state or federal tax identification number or last four digits of the taxpayer's Social Security number, amount of tax credit sought, amount or description of contribution, legal name and address of the child care provider receiving the tax credit, the child care provider's federal employer identification number, the child care provider's department of elementary and secondary education vendor number or license number, the date the child care provider received the contribution from the taxpayer, and any other information requested by the department. The contribution verification shall include a signed attestation stating, in the case of a child care provider, that the child care provider will use the contribution solely to promote child care and, in the case of an intermediary, that the intermediary will distribute the contribution and any income thereon in full to one or more child care providers within two years of receipt.

(3) The failure of the child care provider or intermediary to timely issue the contribution verification to the taxpayer or file it with the department shall entitle the taxpayer to a refund of the contribution from the child care provider or intermediary.

4. A contribution, whether received from the taxpayer claiming the tax credit pursuant to this section or from an intermediary, is eligible when:

(1) The contribution is used directly by a child care provider to promote child care for children twelve years of age or younger, including by acquiring or improving child care facilities, equipment, or services, staff salaries, staff training, or improving the quality of child care;

(2) The contribution, if made to an intermediary, is distributed in full by the intermediary within two years of receipt to one or more child care providers for the sole purpose of promoting child care for children twelve years of age or younger;

(3) The contribution is made to a child care provider or intermediary in which the taxpayer or a person related to the taxpayer does not have a direct financial interest;

(4) The contribution made to an intermediary is not designated for a child care provider in which the taxpayer or a person related to the taxpayer has a direct financial interest; and

(5) The contribution is not made in exchange for care of a child or children, unless the contribution is made by an employer in purchasing child care for the children of the employer's employees.
5. A child care provider or intermediary that uses the contribution for an ineligible purpose shall repay to the department the value of the tax credit for the contribution amount used for an ineligible purpose. An intermediary that accepts a contribution and issues a taxpayer a contribution verification is itself permanently ineligible to claim or redeem a tax credit pursuant to this section.

6. (1) The tax credits authorized by this section shall not be refundable and shall not be transferred, sold, or otherwise conveyed. Any amount of approved tax credits that a taxpayer is prohibited by this subsection from using for the tax year in which the credit is first claimed may be carried forward to the taxpayer's subsequent tax year for up to six succeeding tax years.

   (2) In the case of a taxpayer that has or elects pass-through taxation pursuant to federal income tax law, the tax credits issued pursuant to this section shall be apportioned in proportion to the share of ownership of the taxpayer on the last day of the taxpayer's tax period for which such tax credits will be issued, to the following:

      (a) The shareholders of the S corporation;
      (b) The partners in a partnership; or
      (c) The members of a limited liability company that has or elects pass-through taxation pursuant to federal income tax law.

   (3) A taxpayer shall not claim a tax credit pursuant to this section and a tax credit pursuant to section 135.1325 for the same contribution or expenditure.

7. Notwithstanding any provision of subsection 6 of this section to the contrary, a taxpayer that is exempt, under 26 U.S.C. Section 501(c)(3), and any amendments thereto, from all or part of the federal income tax shall be eligible for a refund of its tax credit issued under this section, without regard to whether it has incurred any state tax liability. Such exempt taxpayer may claim a refund of the tax credit on its tax return required to be filed under the provisions of chapter 143, exclusive of the return for the withholding of tax under sections 143.191 to 143.265. If such exempt taxpayer is not required to file a tax return under the provisions of chapter 143, the exempt taxpayer may claim a refund of the tax credit on a refund claim form prescribed by the department of revenue. The department of revenue shall prescribe such forms, instructions, and rules as it deems appropriate to carry out the provisions of this subsection.

8. (1) The amount of tax credits authorized pursuant to this section shall not exceed twenty million dollars for each calendar year. The department shall approve tax credit applications on a first-come, first-served basis until the tax credit authorization limit is reached for the calendar year. A taxpayer shall apply to the department for the child care contribution tax credit by submitting a copy of the contribution verification
provided by a child care provider or intermediary to such taxpayer. Upon receipt of
such contribution verification, the department shall issue a tax credit certificate to the
taxpayer.

(2) If the maximum amount of tax credits allowed in any calendar year as
provided pursuant to subdivision (1) of this subsection is authorized, the maximum
amount of tax credits allowed pursuant to subdivision (1) of this subsection shall be
increased by fifteen percent, provided that all such increases in the allowable amount of
tax credits shall be reserved for contributions made to child care providers located in a
child care desert. The director of the department shall publish such adjusted amount.

9. The tax credits allowed under this section shall be considered a domestic and
social tax credit under subdivision (5) of subsection 2 of section 135.800.

10. All action and communication undertaken or required under this section
shall be exempt from section 105.1500.

11. The department may promulgate rules to implement and administer the
provisions of this section. Any rule or portion of a rule, as that term is defined in section
536.010, that is created pursuant to the authority delegated in this section shall become
effective only if it complies with and is subject to all of the provisions of chapter 536 and, if
applicable, section 536.028. This section and chapter 536 are nonseverable and if any
of the powers vested with the general assembly pursuant to chapter 536 to review, to
delay the effective date, or to disapprove and annul a rule are subsequently held
unconstitutional, then the grant of rulemaking authority and any rule proposed or
adopted after August 28, 2024, shall be invalid and void.

12. Pursuant to section 23.253 of the Missouri sunset act:

(1) The program authorized under this section shall expire on December 31,
2030, unless reauthorized by the general assembly;

(2) If such program is reauthorized, the program authorized under this section
shall automatically sunset six years after the effective date of the reauthorization of this
section;

(3) This section shall terminate on September first of the calendar year
immediately following the calendar year in which the program authorized under this
section is sunset; and

(4) The provisions of this subsection shall not be construed to limit or in any way
impair the department of revenue's ability to redeem tax credits authorized on or before
the date the program authorized pursuant to this section expires or a taxpayer's ability
to redeem such tax credits.

135.1325. 1. This section shall be known and may be cited as the "Employer
Provided Child Care Assistance Tax Credit Act".
2. For purposes of this section, the following terms shall mean:

(1) "Child care desert", a census tract that has a poverty rate of at least twenty percent or a median family income of less than eighty percent of the statewide average and where at least five hundred people or thirty-three percent of the population are located at least one-half mile away from a child care provider in urbanized areas or at least ten miles away in rural areas;

(2) "Child care facility", a child care facility as defined in section 210.201 that is licensed pursuant to section 210.221, or that is unlicensed and that is registered with the department of elementary and secondary education;

(3) "Child care provider", a child care provider as defined in section 210.201 that is licensed pursuant to section 210.221, or that is unlicensed and that is registered with the department of elementary and secondary education;

(4) "Department", the Missouri department of economic development;

(5) "Employer matching contribution", a contribution made by the taxpayer to a cafeteria plan, as that term is used in 26 U.S.C. Section 125, of an employee of the taxpayer, which matches a dollar amount or percentage of the employee's contribution to the cafeteria plan. "Employer matching contribution" shall not include the amount of any salary reduction or other compensation foregone by the employee in connection with the cafeteria plan;

(6) "Qualified child care expenditure", an amount paid of reasonable costs incurred that meet any of the following:

(a) To acquire, construct, rehabilitate, or expand property that will be, or is, used as part of a child care facility that is either operated by the taxpayer or contracted with by the taxpayer and which does not constitute part of the principal residence of the taxpayer or any employee of the taxpayer;

(b) For the operating costs of a child care facility of the taxpayer, including costs relating to the training of child care employees, scholarship programs, and for compensation to child care employees; or

(c) Under a contract with a child care facility to provide child care services to employees of the taxpayer; or

(d) As an employer matching contribution, but only to the extent such employer matching contribution is restricted by the taxpayer solely for the taxpayer's employee to obtain child care services at a child care facility and is used for that purpose during the tax year;

(7) "Rural area", a town or community within the state that is not within a metropolitan statistical area and has a population of six thousand or fewer inhabitants.
as determined by the last preceding federal decennial census or any unincorporated
area not within a metropolitan statistical area;

(8) "State tax liability", any liability incurred by the taxpayer pursuant to the
provisions of chapter 143 or chapter 148, exclusive of the provisions relating to the
withholding of tax as provided for in sections 143.191 to 143.265 and related provisions;

(9) "Tax credit", a credit against the taxpayer's state tax liability;

(10) "Taxpayer", a corporation as defined in section 143.441 or 143.471, any
charitable organization that is exempt from federal income tax and whose Missouri
unrelated business taxable income, if any, would be subject to the state income tax
imposed under chapter 143, or individuals or partnerships subject to the state income
tax imposed by the provisions of chapter 143.

3. For all tax years beginning on or after January 1, 2025, a taxpayer with two or
more employees may claim a tax credit authorized in this section in an amount equal to
thirty percent of the qualified child care expenditures paid or incurred with respect to a
child care facility in order to provide child care to the taxpayer's employees. The
maximum amount of any tax credit issued under this section shall not exceed two
hundred thousand dollars per taxpayer per tax year.

4. A facility shall not be treated as a child care facility with respect to a taxpayer
unless enrollment in the facility is open to the dependents of employees of the taxpayer
during the tax year, provided that the dependents fall within the age range ordinarily
cared for by, and only require a level of care ordinarily provided by, such facility.

5. (1) The tax credits authorized by this section shall not be refundable or
transferable. The tax credits shall not be sold, assigned, or otherwise conveyed. Any
amount of approved tax credits that a taxpayer is prohibited by this subsection from
using for the tax year in which the credit is first claimed may be carried forward to the
taxpayer's subsequent tax year for up to six succeeding tax years.

(2) In the case of a taxpayer that has or elects pass-through taxation pursuant to
federal income tax law, the tax credits issued pursuant to this section shall be
apportioned in proportion to the share of ownership of the taxpayer on the last day of
the taxpayer's tax period for which such tax credits will be issued, to the following:

(a) The shareholders of the S corporation;
(b) The partners in a partnership; or
(c) The members of a limited liability company that has or elects pass-through
taxation pursuant to federal income tax law.

(3) A taxpayer shall not claim a tax credit pursuant to this section and a tax
credit pursuant to section 135.1310 or 135.1350 for the same contribution or
expenditure.
6. Notwithstanding any provision of subsection 5 of this section to the contrary, a taxpayer that is exempt, under 26 U.S.C. Section 501(c)(3), and any amendments thereto, from all or part of the federal income tax shall be eligible for a refund of its tax credit issued under this section, without regard to whether it has incurred any state tax liability. Such exempt taxpayer may claim a refund of the tax credit on its tax return required to be filed under the provisions of chapter 143, exclusive of the return for the withholding of tax under sections 143.191 to 143.265. If such exempt taxpayer is not required to file a tax return under the provisions of chapter 143, the exempt taxpayer may claim a refund of the tax credit on a refund claim form prescribed by the department of revenue. The department of revenue shall prescribe such forms, instructions, and rules as it deems appropriate to carry out the provisions of this subsection.

7. (1) The amount of tax credits authorized pursuant to this section shall not exceed twenty million dollars for each calendar year. The department shall approve tax credit applications on a first-come, first-served basis until the tax credit authorization limit is reached for the calendar year.

(2) If the maximum amount of tax credits allowed in any calendar year as provided pursuant to subdivision (1) of this subsection is authorized, the maximum amount of tax credits allowed pursuant to subdivision (1) of this subsection shall be increased by fifteen percent, provided that all such increases in the allowable amount of tax credits shall be reserved for qualified child care expenditures for child care facilities located in a child care desert. The director of the department shall publish such adjusted amount.

8. A taxpayer who has been issued a tax credit under this section shall notify the department within sixty days of any cessation of operation, change in ownership, or agreement to assume recapture liability as such terms are defined by 26 U.S.C. Section 45F, in the form and manner prescribed by department rule or instruction. If there is a cessation of operation or change in ownership relating to a child care facility, the department may require the taxpayer to repay the department an amount equal to the credit issued under this section, but this recapture amount shall be limited to the tax credit allowed under this section. The recapture amount shall be considered a tax liability arising on the tax payment due date for the tax year in which the cessation of operation, change in ownership, or agreement to assume recapture liability occurred and shall be assessed and collected under the same provisions that apply to a tax liability under chapter 143 or chapter 148, provided that no interest shall be assessed against any amounts recaptured pursuant to this subsection.
9. The tax credit allowed pursuant to this section shall be considered a domestic and social tax credit under subdivision (5) of subsection 2 of section 135.800.

10. All action and communication undertaken or required under this section shall be exempt from the provisions of section 105.1500.

11. The department may promulgate rules to implement and administer the provisions of this section. Any rule or portion of a rule, as that term is defined in section 536.010, that is created pursuant to the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2024, shall be invalid and void.

12. Pursuant to section 23.253 of the Missouri sunset act:

   (1) The program authorized under this act shall expire on December 31, 2030, unless reauthorized by the general assembly;

   (2) If such program is reauthorized, the program authorized under this act shall automatically sunset six years after the effective date of the reauthorization of this section;

   (3) This section shall terminate on September first of the calendar year immediately following the calendar year in which the program authorized under this section is sunset; and

   (4) The provisions of this subsection shall not be construed to limit or in any way impair the department of revenue's ability to redeem tax credits authorized on or before the date the program authorized pursuant to this section expires or a taxpayer's ability to redeem such tax credits.

135.1350. 1. This section shall be known and may be cited as the "Child Care Providers Tax Credit Act".

2. For purposes of this section, the following terms shall mean:

   (1) "Capital expenditures", expenses incurred by a child care provider, during the tax year for which a tax credit is claimed pursuant to this section, for the construction, renovation, or rehabilitation of a child care facility to the extent necessary to operate a child care facility and comply with applicable child care facility regulations promulgated by the department of elementary and secondary education;

   (2) "Child care desert", a census tract that has a poverty rate of at least twenty percent or a median family income of less than eighty percent of the statewide average and where at least five hundred people or thirty-three percent of the population are
located at least one-half mile away from a child care provider in urbanized areas or at
least ten miles away in rural areas;
(3) "Child care facility", a child care facility as defined in section 210.201 that is
licensed pursuant to section 210.221, or that is unlicensed and that is registered with the
department of elementary and secondary education;
(4) "Child care provider", a child care provider as defined in section 210.201
that is licensed pursuant to section 210.221, or that is unlicensed and that is registered
with the department of elementary and secondary education;
(5) "Department", the department of elementary and secondary education;
(6) "Eligible employer withholding tax", the total amount of tax that the child
care provider was required, under section 143.191, to deduct and withhold from the
wages it paid to employees during the tax year for which the child care provider is
claiming a tax credit pursuant to this section, to the extent actually paid. "Eligible
employer withholding tax" shall not include any additional voluntary withholding
requested by an employee;
(7) "Employee", an employee, as that term is used in subsection 2 of section
143.191, of a child care provider who worked for the child care provider for an average
of at least ten hours per week for at least a three-month period during the tax year for
which a tax credit is claimed pursuant to this section and who is not an immediate
family member of the child care provider;
(8) "Rural area", a town or community within the state that is not within a
metropolitan statistical area and has a population of six thousand or fewer inhabitants
as determined by the last preceding federal decennial census or any unincorporated
area not within a metropolitan statistical area;
(9) "State tax liability", any liability incurred by the taxpayer pursuant to the
provisions of chapter 143, exclusive of the provisions relating to the withholding of tax
as provided for in sections 143.191 to 143.265 and related provisions;
(10) "Tax credit", a credit against the taxpayer's state tax liability;
(11) "Taxpayer", a corporation as defined in section 143.441 or 143.471, any
charitable organization that is exempt from federal income tax and whose Missouri
unrelated business taxable income, if any, would be subject to the state income tax
imposed under chapter 143, or an individual or partnership subject to the state income
tax imposed by the provisions of chapter 143.

3. For all tax years beginning on or after January 1, 2025, a child care provider
with three or more employees may claim a tax credit authorized in this section 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 thirty percent of the child care provider's
capital expenditures. No tax credit for capital expenditures shall be allowed if the
capital expenditures are less than one thousand dollars. The amount of any tax credit
issued under this section shall not exceed two hundred thousand dollars per child care
provider per tax year.

4. To claim a tax credit authorized pursuant to this section, a child care provider
shall submit to the department, for preliminary approval, an application for the tax
credit on a form provided by the department and at such times as the department may
require. If the child care provider is applying for a tax credit for capital expenditures,
the child care provider shall present proof acceptable to the department that the child
care provider's capital expenditures satisfy the requirements of subdivision (1) of
subsection 2 of this section. Upon final approval of an application, the department shall
issue the child care provider a certificate of tax credit.

5. (1) The tax credits authorized by this section 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 forward to the child care provider's subsequent tax year
for up to six succeeding tax years.

    (2) In the case of a taxpayer that has or elects pass-through taxation pursuant to
    federal income tax law, the tax credits issued pursuant to this section shall be
    apportioned in proportion to the share of ownership of the taxpayer on the last day of
    the taxpayer's tax period for which such tax credits will be issued, to the following:

        (a) The shareholders of the S corporation;
        (b) The partners in a partnership; or
        (c) The members of a limited liability company that has or elects pass-through
taxation pursuant to federal income tax law.

    (3) A taxpayer shall not claim a tax credit pursuant to this section and a tax
    credit pursuant to section 135.1325 for the same contribution or expenditure.

6. Notwithstanding any provision of subsection 5 of this section to the contrary, a
child care provider that is exempt, under 26 U.S.C. Section 501(c)(3), and any
amendments thereto, from all or part of the federal income tax shall be eligible for a
refund of its tax credit issued under this section, without regard to whether it has
incurred any state tax liability. Such exempt child care provider may claim a refund of
the tax credit on its tax return required to be filed under the provisions of chapter 143,
exclusive of the return for the withholding of tax under sections 143.191 to 143.265. If
such exempt child care provider is not required to file a tax return under the provisions
of chapter 143, the exempt child care provider may claim a refund of the tax credit on a
refund claim form prescribed by the department of revenue. The department of
revenue shall prescribe such forms, instructions, and rules as it deems appropriate to carry out the provisions of this subsection.

7. (1) The amount of tax credits authorized pursuant to this section shall not exceed twenty million dollars for each calendar year. The department shall approve tax credit applications on a first-come, first-served basis until the tax credit authorization limit is reached for the calendar year.

(2) If the maximum amount of tax credits allowed in any calendar year as provided pursuant to subdivision (1) of this subsection is authorized, the maximum amount of tax credits allowed pursuant to subdivision (1) of this subsection shall be increased by fifteen percent, provided that all such increases in the allowable amount of tax credits shall be reserved for child care providers located in a child care desert. The director of the department shall publish such adjusted amount.

8. The tax credit authorized by this section shall be considered a domestic and social tax credit under subdivision (5) of subsection 2 of section 135.800.

9. All action and communication undertaken or required with respect to this section shall be exempt from the provisions of section 105.1500. Notwithstanding section 32.057 or any other tax confidentiality law to the contrary, the department of revenue may disclose tax information to the department for the purpose of the verification of a child care provider's eligible employer withholding tax under this section.

10. The department may promulgate rules and adopt statements of policy, procedures, forms, and guidelines to implement and administer the provisions of this section. Any rule or portion of a rule, as that term is defined in section 536.010, that is created pursuant to the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2024, shall be invalid and void.

11. Pursuant to section 23.253 of the Missouri sunset act:

(1) The program authorized under this section shall expire on December 31, 2030, unless reauthorized by the general assembly;

(2) If such program is reauthorized, the program authorized under this section shall automatically sunset six years after the effective date of the reauthorization of this section;
(3) This section shall terminate on September first of the calendar year immediately following the calendar year in which the program authorized under this section is sunset; and

(4) The provisions of this subsection shall not be construed to limit or in any way impair the department of revenue's ability to redeem tax credits authorized on or before the date the program authorized pursuant to this section expires or a taxpayer's ability to redeem such tax credits.