HB 1488 -- TAX CREDITS FOR CHILD CARE

SPONSOR: Shields

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on Workforce and Infrastructure Development by a vote of 10 to 0. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 7 to 1.

CHILD CARE CONTRIBUTION TAX CREDIT ACT

This bill establishes the "Child Care Contribution Tax Credit Act". Beginning January 1, 2025, a taxpayer may claim a tax credit, against his or her state liability for that tax year, for verified contributions to a child care provider in an amount equal to 75% of the contribution. The 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) If made to an intermediary, distributed in full by said intermediary within two years of receipt to one or more child care providers;

(3) 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; and

(4) 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.

Tax credits allowed under this section are considered a "domestic and social tax credit" under the provisions of the Tax Credit Accountability Act.

The program sunsets on December 31, 2030.

EMPLOYER PROVIDED CHILD CARE ASSISTANCE TAX CREDIT ACT

This bill also establishes the "Employer Provided Child Care Assistance Tax Credit Act". Beginning January 1, 2025, a taxpayer with two or more employees 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.

For the purposes of this provision, "taxpayer" is defined as a corporation defined in Chapter 143, RSMo; any charitable organization exempt from federal income tax and whose Missouri unrelated business taxable income, if any, would be subject to the state income tax under Chapter 143; or individuals or partnerships subject to the state income tax imposed by the provisions of Chapter 143.

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 the taxpayer's employees during the tax year, provided that the dependents are within the age range ordinarily care for by, and only require a level of care ordinarily provided by, such facility.

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 sunsets on December 31, 2030.

CHILD CARE PROVIDERS TAX CREDIT ACT

This bill also establishes the "Child Care Providers Tax Credit Act". Beginning January 1, 2025, 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, 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 sunsets on December 31, 2030.

This bill is similar to HB 870 (2023) and SB 509 (2023).

PROPONENTS: Supporters say that the bill covers three dimensions of child care: affordability, stability, and developing a more robust workforce. The bill provides options that suit all areas of the state, letting communities select the approach that is right for their circumstances. Opportunities for partnerships exist, such as small employers in a concentrated area grouping together to expand child care. Some employers, such as hospitals, that run extended shift hours have created on-site child care centers. Missouri loses $1.35 billion yearly because of the lack of workers; surveys show 80% of employers say lack of stable, affordable child care hurts their recruiting; 61% of parents report missing work because of child care problems. Parents sometimes have to pay fees to secure their child’s slot during the holidays; child care providers may have waiting lists that are two years long. Families sometimes have to make terrible decisions when they lack access to safe child care. Safe, stable care that provides attention and engagement pays off in the future because it promotes resilience in children. This can lead to less expense for remedial education.

Testifying in person for the bill were Representative Shields; NFIB (National Federation of Independent Business); Missouri Catholic Conference; Aligned; Kids Win Missouri; Campaign Life Missouri; Missouri Chamber of Commerce & Industry; Gary Plummer, Jeff City Area Chamber of Commerce; Matt McCormick, Columbia Chamber of Commerce; JE Dunn; Kristen Wood, Goodwill of Western Missouri and Eastern Kansas; Nicci Rexroat; Kaylee Paffrath, Missouri Northeast; Matt Morrow, Springfield Area Chamber of Commerce; Brian Grace, Mo Economic Development Council; Missouri Hospital Association; Children's Trust Fund; Clarkston Nelson; Child Care Aware of Missouri; Aligned; Mo Chapter American Academy of Pediatrics; University Health; Quality Schools Coalition; Winton Policy Group; NASW; MERS; BJC; St. Louis County; Cox Health; Goodwill Mokan; Jack Gamble, Missouri State Alliance of YMCAs; United WE; City of Kansas City; Civic Council of Greater Kansas City; and Greater Kansas City Chamber of Commerce.

OPPONENTS: Those who oppose the bill say that we don’t have a child-care crisis; we have a government-created crisis that shackles private providers.

Testifying in person against the bill was Armorvine.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.