

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5914H.01P  
 Bill No.: Perfected HB 2409  
 Subject: Taxation and Revenue - General; Tax Credits; Children and Minors; Department of Revenue; Economic Development; Department of Economic Development; Employees - Employers; Department of Elementary and Secondary Education  
 Type: Original  
 Date: April 1, 2026

Bill Summary: This proposal authorizes the "Child Care Contribution Tax Credit Act", the "Employer-provided Child Care Assistance Tax Credit Act", and the "Child Care Providers Tax Credit", relating to tax credits for child care.

**FISCAL SUMMARY**

**ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	(\$878,614)	Up to (\$69,768,840)	Up to (\$69,781,845)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$878,614)</b>	<b>Up to (\$69,768,840)</b>	<b>Up to (\$69,781,845)</b>

\*Oversight notes the cost includes the newly created tax credits up to the cap of \$60 million per year PLUS the potential add-on 15% adjustment (\$9M) for all three Sections. Additionally, Oversight reflects FTE and ITSD costs for DOR and DESE.

**ESTIMATED NET EFFECT ON OTHER STATE FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

**ESTIMATED NET EFFECT ON FEDERAL FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	7 FTE	7 FTE	7 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>7 FTE</b>	<b>7 FTE</b>	<b>7 FTE</b>

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

**ESTIMATED NET EFFECT ON LOCAL FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §135.1310 - "Child Care Contribution Tax Credit Act"

Officials from the **Department of Revenue (DOR)** assume starting January 1, 2027, a qualified taxpayer would be able to claim a tax credit against their state tax liability, in the amount of 75% of a qualified contribution to a qualified childcare provider. The qualifying contribution could be cash, stocks, bonds or securities. To be a qualified the childcare provider must be licensed under Section 210.221. The minimum amount of the credit that may be issued in credit is \$100 (\$175 donation) while the maximum qualifying amount of the credit is limited to \$200,000 (\$350,000 donation) annually.

The childcare provider receiving the contribution must be issued a written verification of the contribution to the taxpayer and file a copy with the Department of Economic Development (DED). This proposal allows the credit to be recaptured if the contribution is not used for providing childcare.

This credit is not refundable, cannot be transferred or sold but they can be carried forward up to six years. The credits are to be distributed on a first-come, first-serve basis with a cumulative \$20 million annual cap. This proposal is scheduled to sunset on December 31, 2032.

This proposal allows that if the cumulative \$20 million cap is authorized in a single year, then the credit can be increased by 15%. However, the increased amount is reserved for childcare providers in a childcare desert. It should be noted that the cap resets to \$20 million each year.

This proposal does establish a provision in Section 135.1310.7, that should a tax-exempt organization as defined by the IRS qualify to receive the credit, they would be able to have the credit refunded to them without having a state tax liability. This proposal allows DOR to establish a procedure should such an organization qualify for the credit.

This provision says the credit is to begin with tax years beginning on or after January 1, 2027. This would impact the Department starting when the tax returns are filed in January 2028.

<b>Fiscal Year</b>	<b>Loss to General Revenue</b>
2027	\$0
2028	(Could exceed \$20,000,000)
2029	(Could exceed \$20,000,000)

This proposal creates a new tax credit program that will require a new line being added to the Form MO-TC (\$2,200), updates to the Department's website and changes to individual income tax computer system (\$1,887). These changes are estimated to cost \$4,087. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of \$42,953 (salary plus years of service pay).

**Oversight** notes the officials from the DOR assume the proposal will have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect cost to the general revenue for (1) FTE at \$42,593 (with applicable E&E) annually, in the fiscal note.

Officials from the **Department of Economic Development (DED)** assume §135.1310. creates the "Child Care Contribution Tax Credit Act". Administered by the Department of Economic Development.

Child Care Desert - A census tract with poverty rate at least 20% or a median family income of less than 80% statewide average and at least 500 people or 33% of the population are located at least 1/2 mile away from a child care provider in urbanized areas or at least 10 miles away in rural areas.

Tax years beginning on or after 1/1/2027. Tax credit for contribution program. 75% tax credits. Minimum amount of any tax credit issued cannot be less than \$100 and cannot exceed \$200K per tax year. Credits are not transferable, sellable or refundable. 6-year carry forward period. Tax credits approved first-come-first-served.

Program cap: \$20M per CY. If the full amount is authorized in a CY, the cap for the next CY will be increased by 15%. That increased amount must be used for child care providers located in a child care desert. The DED Director must publish the new amount. Contribution verifications must be turned into DED with 60 days of the contribution date. Donations must be used for child care for youth age 12 and younger, including by acquiring or improving child care facilities, equipment, or services, or improving staff salaries, staff training, or the quality of child care.

The department may promulgate rules. This program will sunset on 12/31/2032, unless reauthorized by the general assembly.

Officials from the **Office of Administration – Budget & Planning** assume this section would create a tax credit for donations made to eligible childcare providers. The tax credits would begin for tax year 2027 and be equal to 75% of a qualifying donation. B&P notes that this provision may impact revenues beginning in FY28, when tax year 2027 annual income tax returns are filed.

A taxpayer may receive a tax credit of \$100 (\$175 donation) to \$200,000 (\$350,000 donation). The tax credits are non-refundable, unless a qualifying contributor is a 501(c)(3) non-profit. The tax credits may not be sold, transferred, or otherwise conveyed. The tax credits may be carried forward for up to six years.

Per subdivision 135.1310.8(1), no more than \$20 million in tax credits may be authorized per year. However, per subdivision 135.1310.8(2) if the full \$20 million is authorized, then an addition 15% (\$3 million) may be authorized. The additional \$3 million may only be used for contributions made to childcare facilities located within a childcare desert. Therefore, B&P estimates that this provision may reduce TSR and GR by up to \$23 million annually beginning in FY28.

Oversight notes that for informational purposes, one publicly available website, [Annual Child Care Landscape Analysis Missouri](#) provides four years of statistics on licensed childcare centers and care homes as follows:

Year	Licensed Childcare Center(s)	Licensed Family Child Care Homes
2019	1933	884
2020	1481	835
2021	1838	680
2022	1819	605

**Oversight** notes that §135.1310, the "Child Care Contribution Tax Credit Act", allows taxpayers (corporations, charitable organizations which are exempt from federal income tax, and whose Missouri unrelated business taxable income, if any, would be subject to the state income tax, and individuals or partnerships subject to the state income tax) to claim tax credit against state tax liability for the tax year in which a verified contribution was made.

Oversight notes that only contributions directed to childcare providers and intermediaries (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) are able to receive tax credit.

Oversight notes the taxpayer is allowed to claim credit against the taxpayer's state tax liability for the tax year in which a verified contribution was made in an amount equal to up to seventy-five percent of the verified contribution to a childcare provider.

Oversight notes that under this section 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.

Oversight notes that any childcare facility receiving funds from taxpayer must provide the taxpayer with contribution verification. In any case where such a facility fails to do so the facility must provide the taxpayer with refund of his or her contribution.

Oversight notes that the cumulative amount of tax credits authorized pursuant to this section shall not exceed twenty million dollars for each calendar year. Additionally, this section allows for additional 15% (\$ 3 million add-on) in tax credits to be issued specifically to childcare facilities located in childcare deserts in Missouri. Therefore, Oversight will note the overall potential impact under the §135.1310 could potentially reach up to \$23 million annually beginning in FY 2028.

§135.1325 – Employer Provided Child Care Assistance Tax Credit Act

Officials from the **Department of Revenue** assume Starting January 1, 2027, a qualified taxpayer would be able to claim a tax credit in the amount of 30% of a qualified childcare expenditures paid or incurred with respect to a childcare facility. This proposal identifies what is a qualifying expenditure and facility. The maximum amount of credits that can be issued to any taxpayer is \$200,000 annually.

This credit is not refundable, cannot be transferred or sold but they can be carried forward up to six years. The credits are to be distributed on a first-come, first-serve basis with a cumulative \$20 million annual cap. This proposal is scheduled to sunset on December 31, 2032.

This proposal allows that if the cumulative \$20 million cap is authorized in a single year, then the credit can be increased by 15%. However, the increased amount is reserved for childcare providers in a childcare desert. It should be noted that the cap resets to \$20 million each year.

This proposal does establish a provision in §135.1325.6, that should a tax-exempt organization as defined by the IRS qualify to receive the credit, they would be able to have the credit refunded to them without having a state tax liability. This allows DOR to establish a procedure should such an organization qualify for the credit.

This provision says the credit is to begin with tax years beginning on or after January 1, 2027. This would impact the Department starting when the tax returns are filed in January 2028.

<b>Fiscal Year</b>	<b>Loss to General Revenue</b>
2027	\$0
2028	(Could exceed \$20,000,000)
2029	(Could exceed \$20,000,000)

This proposal creates a new tax credit programs that will require a new line being added to the Form MO-TC (\$2,200), updates to the Department's website and changes to individual income tax computer system (\$1,887). These changes are estimated to cost \$4,087. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least (1) FTE Associate Customer Service Rep at a salary of \$42,953 (salary plus years of service pay).

**Oversight** notes the officials from the DOR assume the proposal will have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect cost to the general revenue for (1) FTE at \$42,953 (with applicable E&E) annually in the fiscal note.

Officials from the **Office of Administration – Budget & Planning** assume this section would create a tax credit for qualified childcare expenditures, for employers with at least two employees. The tax credits would begin for tax year 2027 and be equal to 30% of qualifying expenditures. B&P notes that this provision may impact revenues beginning in FY28, when tax year 2027 annual income tax returns are filed.

A taxpayer may receive a tax credit of up to \$200,000 (\$666,667 expenditure). The tax credits are non-refundable, unless a qualifying taxpayer is a 501(c)(3) non-profit. The tax credits may not be sold, transferred, or otherwise conveyed. The tax credits may be carried forward for up to six years.

Per subdivision 135.1325.7(1), no more than \$20 million in tax credits may be authorized per year. However, per subdivision 135.1325.7(2) if the full \$20 million is authorized, then an additional 15% (\$3 million) may be authorized. The additional \$3 million may only be used for childcare facility expenditures located within a childcare desert. Therefore, B&P estimates that this provision may reduce TSR and GR by up to \$23 million annually beginning in FY28.

Officials from **Department of Economic Development (DED)** assume §135.1325. creates the "Employer Provided Child Care Assistance Tax Credit Act". Administered by the Department of Economic Development.

Applies to tax years beginning on or after 1/1/2027.

Program cap: \$20M per calendar year. If the full amount is authorized in a CY, the cap for the next CY will be increased by 15%. That increased amount must be used for child care providers located in a child care desert. The DED Director must publish the new amount. A tax credit for employers' eligible child care assistance expenditures. The tax credit is for up to 30% of child care expenditures, with a total taxable year limit of \$200,000 per taxing entity. Credits are not transferable, sellable or refundable. 6-year carry forward period. Tax credits approved first-come-first-served.

The department may promulgate rules. This program will sunset on 12/31/2032, unless reauthorized by the general assembly.

**Oversight** notes the qualified expenditure includes to acquire, construct, rehabilitate, or expand property that will be, or is, used as part of a childcare 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.

Oversight notes that §135.1325 "Employer Provided Child Care Assistance Tax Credit Act" allows, after January 1, 2027, for a taxpayer (with two or more employees) to claim a tax credit in an amount equal to thirty percent of the qualified childcare expenditures paid or incurred with respect to a childcare facility.

Additionally, this section allows for an additional 15% (\$ 3 million add-on) in tax credits to be issued specifically to childcare facilities located in childcare deserts in Missouri. Therefore, Oversight will note the overall potential impact for §135.1325 could potentially reach up to \$23 million annually beginning in FY 2028.

#### §135.1350 – Child Care Providers Tax Credit Act

Officials from the **Department of Revenue (DOR)** assume starting January 1, 2027, a qualified childcare provider with three or more employees would be able to claim a tax credit in the amount equal to the childcare provider's eligible employer withholding tax and may claim another credit in an amount up to 30% of the childcare provider's capital expenditures. To be a qualified childcare provider the provider must be licensed under Section 210.221. Capital expenditures must be greater than \$1,000 to qualify for the credit. No childcare provider shall receive more than \$200,000 in tax credits annually.

To claim the credit the childcare provider must submit an application to the Department of Elementary and Secondary Education (DESE). If DESE approves the application, they will issue the tax credits.

These two credits are not refundable, cannot be transferred or sold but they can be carried forward up to six years. The credits are to be distributed on a first-come, first-serve basis with a shared cumulative \$20 million annual cap. This proposal will sunset on December 31, 2032.

This proposal allows that if the cumulative \$20 million cap is authorized in a single year, then the credit can be increased by 15%. However, the increased amount is reserved for childcare providers in a childcare desert. It should be noted that the cap resets to \$20 million each year.

This proposal does establish a provision in Section 135.1350.6, that should a tax-exempt organization as defined by the IRS qualify to receive the credit, they would be able to have the credit refunded to them without having a state tax liability. This allows DOR to establish a procedure should such an organization qualify for the credit.

This provision says the credit is to begin with tax years beginning on or after January 1, 2027. This could impact the Department starting when the tax returns are filed in January 2028.

<b>Fiscal Year</b>	<b>Loss to General Revenue</b>
2027	\$0
2028	(Could exceed \$20,000,000)
2029	(Could exceed \$20,000,000)

This proposal creates two new tax credit programs that will require a new line being added to the Form MO-TC (\$2,200 each), updates to the Department's website and changes to the individual income tax computer system (\$1,887 each). These changes are estimated to cost \$8,174. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of \$42,953 (salary plus years of service pay).

Oversight notes the officials from the DOR assume the proposal will have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, **Oversight** will reflect cost to the general revenue for 1 FTE at \$42,953 (with applicable E&E) annually in the fiscal note.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this section would create two tax credits starting in tax year 2027. For childcare providers with at least three employees, the provider may claim a tax credit equal to qualified withholdings and/or a tax credit equal to 30% of capital expenditures. A childcare provider must make at least \$1,000 in capital expenditures to claim the capital expenditures credit. B&P notes that this provision may impact revenues beginning in FY28, when tax year 2027 annual income tax returns are filed.

A taxpayer may receive a maximum tax credit of up to \$200,000 per year. B&P notes that the \$200,000 per taxpayer limit is for both tax credits. Therefore, a taxpayer may either use \$200,000 in withholding taxes or \$1,000 in capital expenditures and any combination in between to claim the maximum credit.

The tax credits are non-refundable, unless a qualifying taxpayer is a 501(c)(3) non-profit. The tax credits may not be sold, transferred, or otherwise conveyed. The tax credits may be carried forward for up to six years.

Per subdivision §135.1350.7(1), no more than \$20 million in tax credits may be authorized per year. However, per subdivision 135.1350.7(2) if the full \$20 million is authorized, then an addition 15% (\$3 million) may be authorized. The additional \$3 million may only be used for childcare facility expenditures located within a childcare desert. Therefore, B&P estimates that this provision may reduce TSR and GR by up to \$23 million annually beginning in FY28.

Officials from the **Department of Economic Development (DED)** assume §135.1350. creates the "Child Care Providers Tax Credit Act". Administered by the department of elementary and secondary education.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this legislation is being proposed to develop the "Child Care Providers Tax Credit Act." This tax credit is designed to support childcare providers with a tax credit towards eligible employer withholding tax and capital expenditure investments. DESE assumes a new tax credit section would be required to administer this program. The team: one program coordinator, one administrative support assistant and two program specialists, would be responsible for approval issuance, and monitoring of the credits for approximately 2,500 licensed childcare providers in the state. The FTE and ongoing costs were included in the FY 2024 budget and have not been reduced. These positions have not been filled and so DESE will show their cost in this fiscal note.

Department of Elementary and Secondary Education (DESE) is a consolidated agency under OA-ITSD. It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.

§135.1350 will require DESE to administer the new Child Care Providers Tax Credit. DESE assumes the administration of this new credit would require the development and programming of a new system to track the tax credit applications, approvals and monitoring data. OA-ITSD provided an estimate to make changes to the Early Head Start system and the Child Care Data System. FY27=\$208,089, FY28=\$42,658, and FY29=\$43,724.

**Oversight** notes all childcare providers claiming the tax credit must submit an application for the tax credit for preliminary approval to DESE.

Oversight notes this Section states that DESE may promulgate rules and adopt statements of policy, procedures, forms and guidelines to implement and administer the provisions of this section.

Oversight notes the DESE states it will need (1) one Program Coordinator (\$83,134), (1) one Administrative Support Assistant (\$46,148), and (2) two Program Specialists (\$71,887) annually in order to implement and comply with the required provisions under this Section. Oversight will note the DESE projected one-time cost for software development and ongoing ITSD maintenance cost, as well as the FTE costs in the fiscal note beginning FY 2027. Oversight notes the FTE costs for FY 2027 are adjusted for a partial year.

Additionally, this section allows for an additional 15% (\$3 million add-on) in tax credits to be issued specifically to childcare facilities located in childcare deserts in Missouri. Therefore, Oversight will note the overall potential impact under the Section 135.1350 could potentially reach Up to \$23 million annually beginning in FY 2028.

#### Responses regarding the proposed legislation as a whole

Officials from **Department of Economic Development** state they received an appropriation in FY2024 for the hiring of 5.0 FTE to administer the two DED programs included in the act;

therefore, PS and E&E is not being requested because the appropriation has already been approved.

The two DED administered tax credit programs will likely reduce annual TSR by \$20M each (\$40M total).

Officials from the **Department of Commerce and Insurance (DCI)** note:

§§135.1310 and 135.1325

A potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2026 and FY2027 as a result of the creation of the Child Care Contribution Tax Credit Act and Employer Provided Child Care Assistance Tax Credit Act. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the new tax credit.

The department will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

**Oversight** notes the Missouri Department of Commerce and Insurance assumes the contract computer programming can be absorbed with existing resources. Oversight does not have any information to the contrary. However, should multiple bills pass, the Missouri Department of Commerce and Insurance may seek additional equipment and expense appropriation through the appropriation process.

The **Oversight Division** is responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for

this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>GENERAL REVENUE</b>			
<u>Cost – (§135.1310) "Child Care Contribution Tax Credit Act" p.6</u>	\$0	Up to (\$23,000,000)	Up to (\$23,000,000)
<u>Cost – (§135.1325) "Employer Provided Child Care Assistance Tax Credit Act" p.8</u>	\$0	Up to (\$23,000,000)	Up to (\$23,000,000)
<u>Cost – (§135.1350) "Child Care Providers Tax Credit Act." p.10</u>	\$0	Up to (\$23,000,000)	Up to (\$23,000,000)
<u>Cost – DOR (§135.1310 135.1325, &amp; 135.1350) p.5-9</u>			
Personnel Service	(\$106,483)	(\$130,335)	(\$132,941)
Fringe Benefits	(\$83,667)	(\$101,429)	(\$102,477)
Expense & Equipment	(\$56,485)	(\$1,766)	(\$1,801)
<u>Total Costs – DOR</u>	<u>(\$246,635)</u>	<u>(\$233,530)</u>	<u>(\$237,219)</u>
FTE Change – DOR	3 FTE	3 FTE	3 FTE
<u>Cost – DESE (§135.1350) p.10</u>			
Personnel Service	(\$227,547)	(\$278,517)	(\$284,087)
Fringe Benefits	(\$145,973)	(\$177,364)	(\$179,604)
Expense & Equipment	(\$50,370)	(\$36,771)	(\$37,508)
<u>Total Costs – DESE</u>	<u>(\$423,890)</u>	<u>(\$492,652)</u>	<u>(\$501,199)</u>
FTE Change – DESE	4 FTE	4 FTE	4 FTE
<u>Cost – DESE (§135.1310 135.1325, &amp; 135.1350) ITSD New Database and ongoing maintenance p.10</u>	(\$208,089)	(\$42,658)	(\$43,427)

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$878,614)</u></b>	<b>Up to <u>(\$69,768,840)</u></b>	<b>Up to <u>(\$69,781,845)</u></b>
Estimated Net FTE Change on General Revenue	7 FTE	7 FTE	7 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT – Small Business

A direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

**CHILD CARE CONTRIBUTION TAX CREDIT ACT (Section 135.1310, RSMo.)**

This bill establishes the "Child Care Contribution Tax Credit Act". Beginning January 1, 2027, a taxpayer may claim a tax credit for verified contributions to a child care provider in an amount up to 75% of the contribution. The tax credit issued must not be less than \$100 and must not exceed \$200,000 per tax year.

A child care provider or intermediary must apply to the Department of Economic Development using the Department's approved form. After the Department makes a determination on eligibility and enters into an agreement with the child care provider, taxpayers who make contributions to such provider may receive this tax credit. A child care provider or intermediary who receives a contribution must file a contribution verification with the Department as further explained in the bill.

To be eligible for the tax credit, a contribution:

- (1) Must be 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, must be distributed in full by the intermediary within two years of receipt to one or more child care providers;

(3) Must be 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

(4) Must not be 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 are not refundable and can not be transferred, sold, or otherwise conveyed. The amount of tax credits authorized must 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 must be increased by 15%, provided that all such increases of tax credits must be reserved for contributions made to child care providers located in a "child care desert", as defined in the bill.

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 six years after the effective date.

#### EMPLOYER PROVIDED CHILD CARE ASSISTANCE TAX CREDIT ACT (Section 135.1325)

This bill also establishes the "Employer Provided Child Care Assistance Tax Credit Act". Beginning January 1, 2027, 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 must 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; 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 will 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 cared for by, and only require a level of care ordinarily provided by, such facility.

The tax credits cannot be refundable, transferable, sold, assigned, or otherwise conveyed. The amount of tax credits must 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 will be increased by 15%, provided that all such increases of tax credits will be reserved for contributions for child care facilities 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 six years after the effective date.

#### CHILD CARE PROVIDERS TAX CREDIT ACT (Section 135.1350)

This bill also establishes the "Child Care Providers Tax Credit Act". Beginning January 1, 2027, 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 will be allowed if the capital expenditures are less than \$1,000. The amount of any tax credit issued must not exceed \$200,000 per child care provider per tax year.

To claim a tax credit for capital expenditures, a child care provider must 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 are not refundable and cannot be transferred, sold, assigned, or otherwise conveyed. The amount of tax credits authorized pursuant to this section must 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 will be increased by 15%, provided that all such increases of tax credits must 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 six years after the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Economic Development  
Department of Elementary and Secondary Education  
Department of Revenue  
Office of Administration – Budget & Planning  
Office of the Secretary of State

L.R. No. 5914H.01P  
Bill No. Perfected HB 2409  
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Joint Committee on Administrative Rules  
Oversight Division  
Department of Commerce and Insurance



Julie Morff  
Director  
April 1, 2026



Jessica Harris  
Assistant Director  
April 1, 2026