

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1064  
**Version:** As introduced

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**Authors:** Loon and others

**Subject:** Dependent care credit amount increased and income eligibility expanded

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### Overview

Increases the state dependent care credit to equal the federal credit for taxpayers with adjusted gross incomes (AGI) up to \$70,000. The maximum state credit would be increased from \$720 to \$1,050 for one dependent, and from \$1,440 to \$2,100 for two or more dependents. The credit would continue to follow the phasedown of the federal credit, so that the maximum credit for filers with AGI over \$43,000 would be \$600 for one dependent, and \$1,200 for two or more dependents. The state credit would then phase out for filers with AGI from \$70,000 to \$82,000 (one dependent), and from \$70,000 to \$94,000 (two or more dependents). The state credit would remain refundable. The \$70,000 income threshold for the phaseout would not be adjusted annually for inflation. The phaseout threshold under current law is adjusted for inflation; that adjustment would be repealed.

**Background.** The current state dependent care credit equals the lesser of the federal credit or \$720 for one dependent and \$1,440 for two or more. The state credit phases out for household incomes over \$25,750, and in tax year 2015 is not allowed for filers with household income of \$39,400 or higher.

The federal credit equals a percentage of qualifying expenses; the percentage decreases from 35 percent for filers with AGI under \$15,000 to 20 percent for those with AGI over \$43,000. Maximum qualifying expenses are set at \$3,000 for one dependent and \$6,000 for two or more, so that the maximum credit for filers with AGI under \$15,000 is \$1,050 for one dependent and \$2,100 for filers with two or more, and phases down to a maximum credit of \$600 for one dependent and \$1,200 for two or more dependents for those with AGI of \$43,000 or more. The federal credit is nonrefundable.

**Section**

- 1** **Dependent care credit.** Increases the state dependent care credit to equal the federal credit. The credit would follow the phasedown of the federal credit and then be subject to a state phaseout, so that the maximum credit by AGI would be:

**Maximum State Dependent Care Credit, H.F. 1064**

AGI	Maximum for one dependent	Maximum for two or more dependents
Less than \$15,000	\$1,050	\$2,100
\$15,000 to \$43,000	maximum credit decreases by \$30 for each \$2,000 of AGI over \$15,000	maximum credit decreases by \$60 for each \$2,000 of AGI over \$15,000
\$43,000 to \$70,000	\$600	\$1,200
\$70,000 to \$82,000	Maximum credit decreases by 5% of AGI over \$70,000	Maximum credit decreases by 5% of AGI over \$70,000
\$82,000 to \$94,000	No credit allowed	Maximum credit continues to decrease by 5% of AGI over \$70,000
Over \$94,000	No credit allowed	No credit allowed

The state credit would remain refundable, as under current law. The \$70,000 income threshold for the phaseout would not be adjusted annually for inflation. The income measure for the state phaseout would change from household income (a relatively broad measure that includes most nontaxable income) to AGI. Married couples with dependents under age one and family daycare home operators would be eligible for the proposed credit in the same manner as they are eligible for the current law credit, based on deemed expenses, equal to the maximum qualifying expense under the federal credit for parents with dependents under age one, and equal to the maximum qualifying expense under the federal credit for family daycare home operators who care for their own child if the child is under 16 months of age, and equal to the amount they charge for care for older children.

- 2** **Repealer.** Repeals subdivisions that provide for the phaseout of the state dependent care credit (the phaseout proposed under the bill is moved to the subdivision amended in section 1 of the bill) and the inflation adjustment of the phaseout threshold.