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## Overview

The bill establishes five new credits related to child care:

1. A credit for payments made to a qualifying child care facility on behalf of a dependent child.
2. A credit for businesses who build or renovate a child care facility, pay for their employee's child care, or pay to reserve child care slots for the children of the business's employees.
3. A refundable credit for employees who are employed as child care professionals.
4. A credit for contributions to the REETAIN program, which provides cash incentives to child care workers who complete training and professional development.
5. A credit for child care providers who care for children participating in the Child Care Assistance (CCAP) program or who are foster children.

### Section

#### **1 School readiness tax credit.**

**Subd. 1. Credit allowed for payments to a qualifying child care facility.** Allows an individual a tax credit based upon the amount paid to a child care facility for a dependent child. The amount of the credit depends on the rating received by the facility from the state's "Parent Aware" rating system as of December 31 of the

## Section

taxable year. The amounts of the credit correspond to the following Parent Aware ratings:

- **Four Stars:** 150% of the amount paid on behalf of a dependent, up to \$1,050 for one child or \$2,100 for two or more children.
- **Three Stars:** 100% of the amount paid on behalf of a dependent, up to \$850 for one child or \$1,700 for two or more children.
- **Two Stars:** 50% of the amount paid on behalf of a dependent, up to \$650 for one child or \$1,300 for two or more children.
- **One Star:** 25% of the amount paid on behalf of a dependent, up to \$500 for one child or \$1,000 for two or more children.

**Subd. 2. Credit allowed for business-supported provider services.** Allows an individual or a corporation a tax credit for “eligible business child care expenses” paid to a child care facility if those expenses are not deducted in computing Minnesota income or corporate franchise tax. Subdivision 6 of the bill defines “eligible business child care expenses” as the following:

- Payments of up to \$50,000 for the construction, renovation, expansion, or major repair of a child care facility, or for the maintenance and operation of a child care facility.
- Payments of up to \$5,000 made to a child care facility on behalf of a taxpayer’s employees.
- Payments of up to \$50,000 made to purchase child care slots at facilities provided or reserved for the children of the taxpayer’s employees.

The amounts of the credit correspond to the following Parent Aware ratings (for the facility associated with the eligible business child care expenses):

- **Four Stars:** 20% of eligible business child care expenses.
- **Three Stars:** 15% of eligible business child care expenses.
- **Two Stars:** 10% of eligible business child care expenses.
- **One Star:** 5% of eligible business child care expenses.

**Subd. 3. Credit allowed for child care professionals.** Allows a tax credit to an individual taxpayer who qualifies as a “child care professional.” Subdivision 6 of the bill defines a “child care professional” as an individual who has obtained a career lattice step level of six or greater, and was employed at the same child care facility for at least six months of the taxable year. The amounts of the credit correspond to the career lattice step level the individual has achieved, as follows.

- **Career lattice step level equivalent to a child development associate:** \$500
- **Career lattice step level equivalent to an associate’s degree:** \$1,000

## Section

- **Career lattice step level equivalent to a bachelor's degree:** \$2,000
- **Career lattice step level equivalent to a master's degree:** \$3,000

**Subd. 4. Credit allowed for contributions to REETAIN.** Allows an individual or corporate tax credit for donations to the REETAIN program. The REETAIN program provides cash incentives to child care providers who have completed training and professional development. The program is administered by Child Care Aware Minnesota.

The credit equals ten percent of contributions to REETAIN. The maximum credit is \$5,000. The credit is limited to contributions not deducted as a business expense or as a charitable contribution.

**Subd. 5. Credit allowed for child care providers.** Allows child care providers a tax credit. The credit is based on the average monthly number of children attending the facility who participated in the Minnesota Child Care Assistance Program (CCAP) or who are foster children in the custody of the Department of Human Services (DHS). The amount of the credit scales based on the Parent Aware rating received by the facility, as follows:

- **Four Stars:** \$2,000 per foster child or child participating in CCAP.
- **Three Stars:** \$1,500 per foster child or child participating in CCAP.
- **Two Stars:** \$1,000 per foster child or child participating in CCAP.
- **One Star:** \$500 per foster child or child participating in CCAP.

**Subd. 6. Definitions.** Defines "career lattice step" as the qualification level assigned to a child care professional on Develop, the Minnesota quality improvement and registry tool.

Defines "child" or "children" as individuals ages five years and younger.

Defines "child care facility" as an entity with a Parent Aware quality rating of at least one star during the taxable year.

Defines "child care professional" as an individual who attained career lattice level 6 and who has been employed at the same child care facility for at least six months of the taxable year.

Defines "eligible business expenses" as described above.

Defines "quality rating" as the rating DHS awarded to a facility through the Parent Aware program.

Defines "REETAIN" as the program described above.

**Subd. 7. Required documentation.** Requires a taxpayer claiming any of the credits in the bill to provide the Department of Revenue with documentation of eligibility for the credit.

**Section**

**Subd. 8. Allocation for nonresidents and part-year residents.** Requires the credit to be provided to nonresidents and part-year residents based on their percentage of Minnesota residency.

**Subd. 9. Credit refundable for child care professionals; carryforward provisions.** Provides that the credit for child care professionals is refundable. Allows other taxpayers claiming another credit to carry forward any unused credit amounts for up to five years.

**Subd. 10. Partnerships; multiple owners.** Provides that credits allowed to a pass-through entity be passed through to the partners, members, shareholders, or owners pro rata based upon the partner's share of the entity's income.

Provides that a C corporation who is a partner in a partnership is limited to the lesser of the credit under subdivision 2 or 5, or an amount computed based on the share of the tax attributable to the portion of taxable income allocable to the corporation's interest in the entity.

**Subd. 11. Appropriation.** Appropriates an amount sufficient to pay for the refunds allowed in subdivision 9.

The bill is effective in tax year 2018.