

Subject Child care tax credits

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Overview

The bill establishes three new refundable tax credits related to child care:

- 1) A credit for individuals who make payments to a qualifying child care facility on behalf of a dependent child.
- 2) A credit for employees who are employed as child care professionals.
- 3) A credit for child care providers who take care of certain categories of children.

Summary

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1	Child care workforce, supply and quality credit.
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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 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 child care professionals. Allows a tax credit to an individual taxpayer who qualifies as a "child care professional." Subdivision 4 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

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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: \$1,500.
- Career lattice step level equivalent to a bachelor's degree: \$3,000.

Subd. 3. Credit allowed for child care providers. Allows a tax credit for child care providers. The credit is based on the average monthly number of children attending the facility who are a "qualifying child." The bill defines qualifying child to include a child who is homeless, in foster care, in need of child protective services, received funds through a Child Care Assistance Program (CCAP), received an early learning scholarship, or had a parent who was 21 or younger and enrolled in high school or a course of study for a high school equivalency test.

The amount of the credit scales based on the Parent Aware rating received by the facility, as follows:

- Four stars: \$2,000 per qualifying child.
- Three stars: \$1,500 per qualifying child.
- Two stars: \$1,000 per qualifying child.
- One star: \$500 per qualifying child.

The credit is limited to taxpayers who did not claim the credit for child care professionals.

Subd. 4. 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 six and who has been employed at the same child care facility for at least six months of the taxable year.

Defines "child care provider" as an individual or corporate taxpayer who owns or operates a child care facility.

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	<p>Defines “quality rating” as the rating DHS awarded to a facility through the Parent Aware program.</p> <p>Subd. 5. 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.</p> <p>Subd. 6. Credit refundable. Provides that all 3 of the credits established by the bill are refundable.</p> <p>Subd. 7. 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.</p> <p>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.</p> <p>Subd. 8. Appropriation. Appropriates an amount sufficient to pay for the refunds allowed in subdivision 7.</p> <p>The bill is effective for tax year 2020 and later.</p>



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