



# 130th MAINE LEGISLATURE

## FIRST SPECIAL SESSION-2021

---

Legislative Document

No. 1678

---

H.P. 1249

House of Representatives, May 5, 2021

**An Act To Support Child Care Providers and School Readiness  
through Tax Credits**

---

Received by the Clerk of the House on May 3, 2021. Referred to the Committee on Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

A handwritten signature in cursive script that reads "Robert B. Hunt".

ROBERT B. HUNT  
Clerk

Presented by Representative MILLETT of Cape Elizabeth.  
Cosponsored by Senator CLAXTON of Androscoggin and  
Representatives: DOUDERA of Camden, MEYER of Eliot, SACHS of Freeport, TEPLER of  
Topsham, Senators: BREEN of Cumberland, LIBBY of Androscoggin.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 22 MRSA §5308**, as amended by PL 2013, c. 368, Pt. CCCC, §6, is further  
3 amended by adding at the end a new paragraph to read:

4 The office shall notify the State Tax Assessor immediately of any changes made to  
5 grading or scoring systems of child care provider quality standards and career qualifications  
6 for administrators, educators and staff of child care providers developed by the office or in  
7 cooperation with an entity outside of the office and used to determine tax credits pursuant  
8 to Title 36, section 5218, 5218-B or 5218-C. The office, in consultation with the State Tax  
9 Assessor, shall submit a report, including suggested legislation, to the joint standing  
10 committees of the Legislature having jurisdiction over health and human services matters  
11 and taxation matters implementing the changes necessary to the law to reflect the changes  
12 to the grading or scoring systems. Either joint standing committee may submit a bill to the  
13 Legislature based on the report of the office.

14 **Sec. 2. 36 MRSA §5218, sub-§3**, as amended by PL 2003, c. 391, §10, is repealed  
15 and the following enacted in its place:

16 **3. Child care services provided at quality child care site.** For tax years beginning  
17 on or after January 1, 2022, the credit provided by subsections 1, 2 and 2-A is increased by  
18 a percentage of the federal tax credit based on the quality rating of the child care site as  
19 provided in this subsection.

20 A. As used in this subsection, unless the context otherwise indicates, the following  
21 terms have the following meanings.

22 (1) "Federal tax credit" means the federal tax credit allowable for child and  
23 dependent care expenses in the same tax year.

24 (2) "Quality rating" means the rating, expressed as a star number in a series from  
25 1 to 5, given to a child care site pursuant to a quality rating and improvement  
26 system based on standards for family child care programs developed by the  
27 Department of Health and Human Services, Office of Child and Family Services  
28 and detailed in the September 2020 report "Rising Stars for ME Pilot Report."

29 B. The percentage increase is determined as follows.

30 (1) If the quality rating of the child care site is star 1, the credit is 50% of the  
31 federal tax credit.

32 (2) If the quality rating of the child care site is star 2, the credit is 100% of the  
33 federal tax credit.

34 (3) If the quality rating of the child care site is star 3, the credit is 150% of the  
35 federal tax credit.

36 (4) If the quality rating of the child care site is star 4 or 5, the credit is 200% of the  
37 federal tax credit.

38 C. A taxpayer who has more than one child eligible for the credit under this section  
39 shall calculate the credit for each child separately. If the child of a taxpayer receives  
40 child care services from more than one child care site in the same tax year, the taxpayer  
41 shall calculate the credit based on the highest-rated child care site.

1           D. The credit calculated pursuant to this subsection is refundable.

2           **Sec. 3. 36 MRSA §5218, sub-§5** is enacted to read:

3           **5. Evaluation; specific public policy objectives; performance measures.**

4           Beginning in 2025, the credit provided under subsection 3 is subject to ongoing legislative  
5           review in accordance with Title 3, chapter 37. The Office of Program Evaluation and  
6           Government Accountability by January 15th annually shall submit an evaluation of the  
7           credit provided under subsection 3 to the joint legislative committee established to oversee  
8           program evaluation and government accountability matters and the joint standing  
9           committee of the Legislature having jurisdiction over taxation matters. In developing  
10           evaluation parameters to perform the review, the office shall consider whether the specific  
11           public policy objectives and economic benefit of the credit provided under subsection 3  
12           outweigh the loss of revenue to the State.

13           The Office of Program Evaluation and Government Accountability by January 15th  
14           annually shall provide a report of its evaluation under this subsection to the joint standing  
15           committee of the Legislature having jurisdiction over taxation matters.

16           **Sec. 4. 36 MRSA §5218-B** is enacted to read:

17           **§5218-B. Tax credit for child care providers and staff for certain Department of**  
18           **Health and Human Services program participants**

19           **1. Definitions.** As used in this section, unless the context otherwise indicates, the  
20           following terms have the following meanings.

21           A. "Administrator" means, for an eligible child care provider, a director, administrator  
22           or lead staff person who is responsible for the day-to-day operation, supervision and  
23           administration of the eligible child care provider and includes a program director,  
24           supervisor, owner and education supervisor.

25           B. "Department" means the Department of Health and Human Services.

26           C. "Eligible child" means:

27                   (1) The child of a parent who is participating in the child care subsidy program in  
28                   the Office of Child and Family Services within the department; or

29                   (2) A foster child who is in the custody of the department.

30           D. "Eligible child care provider" means a child care center, a child care facility or a  
31           family child care provider, as those terms are defined in Title 22, section 8301-A,  
32           subsection 1-A, paragraphs A, B and C, respectively, that provides child care to an  
33           eligible child.

34           E. "Individual qualification score" means the career lattice rating systems developed  
35           and established as of 2019 for family and center-based child care and administrators,  
36           educators and other support professionals through a collaborative partnership between  
37           the Cutler Institute of Health and Social Policy at the University of Southern Maine,  
38           the University of Maine Center for Community Inclusion and Disability Studies and  
39           the Department of Psychology at the University of Maine.

40                   (1) For administrators, the career lattice is a series of levels from 1 to 6 as  
41                   established in the "Administration Management/Coordination Career Lattice" for  
42                   2019.

1                   (2) For educators and other professional support staff, the career lattice is a series  
2                   of levels from 1 to 8 as established in the "Center Based Family Child Care School  
3                   Age Direct Care Lattice" for 2019.

4                   F. "Quality rating" means the rating, expressed as a star number in a series from 1 to  
5                   5, given to a child care provider pursuant to a quality rating and improvement system  
6                   based on standards for family child care developed by the Office of Child and Family  
7                   Services within the department and detailed in the September 2020 report "Rising Stars  
8                   for ME Pilot Report."

9                   **2. Tax credit for eligible child care provider.** For tax years beginning on or after  
10                  January 1, 2022, an eligible child care provider is allowed a refundable credit against the  
11                  tax otherwise due under this Part as determined pursuant to this subsection. The amount  
12                  of the credit is based on the average of the number of eligible children who are cared for  
13                  by that eligible child care provider each month and the quality rating of that eligible child  
14                  care provider, as follows.

15                  A. If an eligible child care provider's quality rating is star 1, the tax credit per eligible  
16                  child cared for is \$0.

17                  B. If an eligible child care provider's quality rating is star 2, the tax credit per eligible  
18                  child cared for is \$1,000.

19                  C. If an eligible child care provider's quality rating is star 3, the tax credit per eligible  
20                  child cared for is \$1,500.

21                  D. If an eligible child care provider's quality rating is star 4, the tax credit per eligible  
22                  child cared for is \$1,750.

23                  E. If an eligible child care provider's quality rating is star 5, the tax credit per eligible  
24                  child cared for is \$2,000.

25                  **3. Tax credit for administrators, educators and other staff of eligible child care**  
26                  **providers.** For tax years beginning on or after January 1, 2022, an administrator, educator  
27                  or other professional support staff member of an eligible child care provider is allowed a  
28                  refundable credit against the tax otherwise due under this Part as determined pursuant to  
29                  this subsection.

30                  A. For administrators, the amount of the credit is based on the individual qualification  
31                  score as follows.

32                    (1) If the administrator is rated level 2, the tax credit is \$1,000.

33                    (2) If the administrator is rated level 3, the tax credit is \$1,500.

34                    (3) If the administrator is rated level 4, the tax credit is \$3,000.

35                    (4) If the administrator is rated level 5, the tax credit is \$3,500.

36                    (5) If the administrator is rated level 6, the tax credit is \$5,000.

37                  B. For educators and other professional support staff, the amount of the credit is based  
38                  on the individual qualification score as follows.

39                    (1) If the educator or other professional support staff member is rated level 2, the  
40                    tax credit is \$1,000.

1                   (2) If the educator or other professional support staff member is rated level 3, the  
2                   tax credit is \$1,500.

3                   (3) If the educator or other professional support staff member is rated level 4, the  
4                   tax credit is \$3,000.

5                   (4) If the educator or other professional support staff member is rated level 5, the  
6                   tax credit is \$3,500.

7                   (5) If the educator or other professional support staff member is rated level 6 or  
8                   higher, the tax credit is \$5,000.

9                   **4. Certification.** Upon application by an eligible child care provider or an  
10                  administrator, educator or other professional support staff member of an eligible child care  
11                  provider, the Office of Child and Family Services within the department shall certify the  
12                  quality rating achieved by that eligible child care provider or the individual qualification  
13                  score achieved by the administrator, educator or other professional support staff member  
14                  of an eligible child care provider. The Office of Child and Family Services shall provide a  
15                  certificate of quality rating to the eligible child care provider and a certificate of individual  
16                  qualification score to the administrator, educator or other professional support staff  
17                  member of the eligible child care provider, as appropriate.

18                  **5. Application for credit.** In order to receive the tax credit specified in subsection 2,  
19                  for an eligible child care provider, or in subsection 3, for the administrator, educator or  
20                  other professional support staff member of an eligible child care provider, the taxpayer  
21                  taking the credit must include with that taxpayer's return the certificate provided to that  
22                  taxpayer pursuant to subsection 4.

23                  **6. Evaluation; specific public policy objectives; performance measures.**  
24                  Beginning in 2025, the credit provided under this section is subject to ongoing legislative  
25                  review in accordance with Title 3, chapter 37. The Office of Program Evaluation and  
26                  Government Accountability by January 15th annually shall submit an evaluation of the  
27                  credit provided under this section to the joint legislative committee established to oversee  
28                  program evaluation and government accountability matters and the joint standing  
29                  committee of the Legislature having jurisdiction over taxation matters. In developing  
30                  evaluation parameters to perform the review, the office shall consider whether the specific  
31                  public policy objectives and economic benefit of the credit provided under this section  
32                  outweigh the loss of revenue to the State.

33                  The Office of Program Evaluation and Government Accountability by January 15th  
34                  annually shall provide a report of its evaluation under this subsection to the joint standing  
35                  committee of the Legislature having jurisdiction over taxation matters.

36                  **Sec. 5. 36 MRSA §5218-C** is enacted to read:

37                  **§5218-C. Business-supported quality child care**

38                  **1. Definitions.** As used in this section, unless the context otherwise indicates, the  
39                  following terms have the following meanings.

40                  A. "Employing unit" has the same meaning as in Title 26, section 1043.

41                  B. "Providing child care services" means expending funds to build, furnish, license,  
42                  staff, operate or subsidize a child care center licensed by the Department of Health and  
43                  Human Services to provide early care and education services to children of employees

1 of the taxpayer at no profit to the taxpayer or to contract with a child care facility  
2 licensed by or registered with the department to provide early care and education  
3 services to children of the employees of the taxpayer. "Providing child care services"  
4 also includes the provision of child care resource and referral services to employees  
5 and the provision of vouchers by an employer to an employee for purposes of paying  
6 for early care and education services for children of the employee.

7 C. "Quality rating" means the rating, expressed as a step in a series of steps from 1 to  
8 4, given to a child care site pursuant to a quality rating and improvement system based  
9 on standards for center-based child care programs developed by the Department of  
10 Health and Human Services, Office of Child and Family Services and in place as of  
11 January 1, 2021.

12 **2. Credit allowed for quality child care site expenses.** For tax years beginning on  
13 or after January 1, 2022, a taxpayer constituting an employing unit is allowed a credit  
14 against the tax imposed by this Part for each taxable year equal to a percentage of the costs  
15 incurred by the taxpayer in providing child care services at child care sites as follows.

16 A. If the quality rating of the child care site is step 1, the credit is 5% of the costs of  
17 providing child care services.

18 B. If the quality rating of the child care site is step 2, the credit is 10% of the costs of  
19 providing child care services.

20 C. If the quality rating of the child care site is step 3, the credit is 15% of the costs of  
21 providing child care services.

22 D. If the quality rating of the child care site is step 4, the credit is 20% of the costs of  
23 providing child care services.

24 **3. Evaluation; specific public policy objectives; performance measures.**  
25 Beginning in 2025, the credit provided under this section is subject to ongoing legislative  
26 review in accordance with Title 3, chapter 37. The Office of Program Evaluation and  
27 Government Accountability by January 15th annually shall submit an evaluation of the  
28 credit provided under this section to the joint legislative committee established to oversee  
29 program evaluation and government accountability matters and the joint standing  
30 committee of the Legislature having jurisdiction over taxation matters. In developing  
31 evaluation parameters to perform the review, the office shall consider whether the specific  
32 public policy objectives and economic benefit of the credit provided under this section  
33 outweigh the loss of revenue to the State.

34 The Office of Program Evaluation and Government Accountability by January 15th  
35 annually shall provide a report of its evaluation under this subsection to the joint standing  
36 committee of the Legislature having jurisdiction over taxation matters.

37 **Sec. 6. 36 MRSA §5403, sub-§7,** as enacted by PL 2017, c. 474, Pt. B, §24, is  
38 amended to read:

39 **7. Personal exemptions.** Beginning in 2018 and each year thereafter, by the dollar  
40 amounts contained in section 5126-A, subsection 1, except that for the purposes of this  
41 subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment"  
42 is the Chained Consumer Price Index for the 12-month period ending June 30th of the  
43 preceding calendar year divided by the Chained Consumer Price Index for the 12-month  
44 period ending June 30, 2017; and



1           4. It provides a tax credit of a percentage of expenses paid by an employer to provide  
2 child care and education services to the children of its employees, either on site, at a facility  
3 licensed or registered with the Department of Health and Human Services or through child  
4 care resource and referral services or vouchers for the purpose of paying for child care and  
5 education services. The percentage of expenses that may be taken by the employer is  
6 determined by the quality rating of the child care facility.

7           5. It indexes for inflation the dollar amounts of the tax credits beginning annually in  
8 2023.

9           6. It requires the Office of Child and Family Services to notify the State Tax Assessor  
10 immediately of any changes to the grading and scoring systems used to determine child  
11 care-related tax credits and requires the office, after consultation with the assessor, to  
12 submit a report and suggested legislation to implement the changes to the grading and  
13 scoring systems.

14           7. It requires the Office of Program Evaluation and Government Accountability,  
15 beginning in 2025, to review the tax credits provided by this legislation to determine  
16 whether the specific public policy objectives and economic benefit of the credits outweigh  
17 the loss of revenue to the State and annually report its findings to the joint standing  
18 committee of the Legislature having jurisdiction over taxation matters.