COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4055H.01P
Bill No.: Perfected HB 1488
Subject: Taxation and Revenue - General; Tax Credits; Children and Minors; Department Of Revenue, Economic Development; Department of Economic Development, Employees - Employers; Dept. of Elementary and Secondary Education,
Type: Original
Date: February 6, 2024

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 2025	FY 2026	FY 2027
General Revenue Fund*	Up to ($1,678,169)	Up to ($70,334,484)	Up to ($70,359,239)
Total Estimated Net Effect on General Revenue	Up to ($1,678,169)	Up to ($70,334,484)	Up to ($70,359,239)

*Oversight notes the above cost includes up to the maximum cap in tax credits of $20 million per year PLUS the potential add-on 15% adjustment ($3M) for childcare desert for all three Sections. Section(s) 135.1310 & 135.1325 "Child Care Contribution Tax Credit Act" and the "Employer-Provided Child Care Assistance Tax Credit Act", and 135.1350 "Child Care Providers Tax Credit" effective FY 2025. Additionally, Oversight reflect FTE for DOR, DED and DESE. Lastly, cost includes DESE & DOR cost for ITSD creation and annual maintenance of software and update of various tax credit forms.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other</u> State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund – DED	5 FTE	5 FTE	5 FTE
General Revenue Fund – DESE	4 FTE	4 FTE	4 FTE
General Revenue – DOR	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	**12 FTE**	**12 FTE**	**12 FTE**

☒ 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 2025	FY 2026	FY 2027
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Section 135.1310 Child Care Contribution Tax Credit Act

Officials from the **Department of Revenue (DOR)** note:

Starting January 1, 2025, 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, 2029.

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 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, 2025. This would impact the Department starting when the tax returns are filed in January 2026.

Fiscal Year	Loss to General Revenue
2025	$0
2026	(Could exceed $20,000,000)
2027	(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 ($7,138), updates to DOR's website and changes to the individual income tax computer system ($1,785). These changes are estimated to cost $8,923. 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 $35,880.

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 $35,880 (with applicable E&E) annually in the fiscal note. Additionally, Oversight will reflect DOR's cost for updates to form and computer system changes in amount of $8,923 FY 2025.

Officials from the **Department of Economic Development (DED)** note:

RSMo. 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 1/1/2025. 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 12/31/2030, unless reauthorized by the general assembly.

Officials from the **Office of Administration – Budget & Planning (B&P)** note:
This section would create a tax credit for donations made to eligible childcare providers. The tax credits would begin for tax year 2025 and be equal to 75% of a qualifying donation. B&P notes that this provision may impact revenues beginning in FY26, when tax year 2025 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 FY26.

Oversight notes that for informational purposes the Office of Childhood (DESE), in response to the similar proposal HB 870 (1993.01) 2023, provided Oversight with six years of statistic on licensed childcare facilities in Missouri as follows:

Year	Licensed Childcare Provider – Sum
2017	1,676
2018	1,594
2019	1,488
2020	1,191
2021	1,324
Reported as of 11/2022	1,176

Oversight notes that Section 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 to child care 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)

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 Section 135.1310 could potentially reach Up to $23 million annually beginning in FY 2026.

Section 135.1325 Employer Provided Child Care Assistance Tax Credit

Officials from the **Department of Revenue (DOR)** note:

Starting January 1, 2025, 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 five years and carried back one year. 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, 2029.

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 135.1325.6, 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, 2025. This would impact the Department starting when the tax returns are filed in January 2026.

Fiscal Year	Loss to General Revenue
2025	$0
2026	(Could exceed $20,000,000)
2027	(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 ($7,138), updates to DOR's website and changes to the individual income tax computer system ($1,785). These changes are estimated to cost $8,923. 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 $35,880.

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 $35,880 (with applicable E&E) annually in the fiscal note. Additionally, Oversight will reflect DOR's cost for updates to form and computer system changes in amount of $8,923 FY 2025.

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

Section 135.1325 – Employer Provided Child Care Assistance Tax Credit Act
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 2025 and be equal to 30% of qualifying expenditures. B&P notes that this provision may impact revenues beginning in FY26, when tax year 2025 annual income tax returns are filed.

A taxpayer may receive a tax credit of up to $200,000 ($666,667 expenditures). 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 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 FY26.

Officials from the **Department of Economic Development (DED)** note:

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 1/1/2025.

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 12/31/2030, unless reauthorized by the general assembly.

DED will need to hire 5.0 FTE to administer the two DED programs included in the act. The two DED administered tax credit programs will likely reduce annual TSR by $20M each ($40M total). With the FY2024 budget, 5.0 FTE for this program was appropriated; therefore, that cost is not reflected here because the appropriation has been approved.

Oversight notes the DED officials assume need to hire 5.0 FTE (Senior Economic Development Specialist at $74,664 +E&E and fringe benefits) to administer the Section(s) 135.1310 and 135.1325. Officials from the DED stated that they received appropriation approval for the 5 FTE's in 2024; however, for purpose of the fiscal note, Oversight will reflect DED's FTE cost in FY 2026, and FY 2027, in the fiscal note.

Oversight notes that Section 135.1325 <u>"Employer Provided Child Care Assistance Tax Credit</u> Act" allows, after January 1, 2025, 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 child care facility.

Oversight notes the acceptable expenditures are defined as follow:

a) To acquire, construct, rehabilitate, or expand property that will be, or is, used as part of a child care 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; or
b) For the operating costs of a child care facility of the taxpayer, including costs relating to the training of child care employees, scholarship programs, and for compensation to child care employees; or
c) Or under a contract with a child care facility to provide child care services to employees of the taxpayer; or
d) As an employer matching contribution, but only to the extent such employer matching contribution is restricted by the taxpayer solely for the taxpayer's employee to obtain child care services at a child care facility and is used for that purpose during the tax year

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.

<u>Section 135.1350 Child Care Providers Tax Credit</u>

Officials from the **Department of Revenue (DOR)** note:

Starting January 1, 2025, a qualified childcare provider with three or more employees would be able to claim a tax credit in the amount equal to the child care provider's eligible employer withholding tax and may claim another credit in an amount up to 30% of the child care 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 credit the provide must submit an application to the Department of Economic Development (DED). If DED 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, 2029.

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 135.1310.6, 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, 2025. This could impact the Department starting when the tax returns are filed in January 2026.

Fiscal Year	**Loss to General Revenue**
2025	$0
2026	(Could exceed $20,000,000)
2027	(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 ($7,138), updates to DOR's website and changes to the individual income tax computer system ($1,785). These changes are estimated to cost $8,923. 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 $35,880.

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 $35,880 (with applicable E&E) annually in the fiscal note. Additionally, Oversight will reflect DOR's cost for updates to form and computer system in amount of $8,923 FY 2025.

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

This section would create two tax credits starting in tax year 2025. 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 FY26, when tax year 2025 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 FY26.

Officials from the **Department of Economic Development (DED)** note:

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)** note:

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 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. One-time costs have been reduced in the FY 2025 budget request. These one-time costs have not and will not be used in FY 2024 as the legislation did not pass nor have the FTE been filled. If the language passes these costs will be needed to set up the new section and process the tax credits.

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. DESE estimates a cost of $500,000 for the development and initial programming with ongoing annual costs of $50,000.

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 Program Coordinator ($68,808), 1 Administrative Support Assistant ($38,184), and 2 Program Specialist ($59,120) annually in order to implement and comply with the required provisions under this Section.

Oversight notes officials from the DESE state the FTE and ongoing costs were included in the FY 2024 budget; however, the one-time ITSD costs have been reduced in the FY 2025 budget request. Therefore, 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 2025.

<u>Rule Promulgation</u>

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.

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
Cost – Section 135.1310 "Child Care Contribution Tax Credit Act" (p.10)	$0	Up to ($23,000,000)	Up to ($23,000,000)
Cost – Section 135.1325 "Employer Provided Child Care Assistance Tax Credit Act" (p.11)	$0	Up to ($23,000,000)	Up to ($23,000,000)
Costs – DOR FTE Section(s) 135.1310 135.1325, & 135.1350 (p.8)			
Personnel Service	($89,700)	($109,793)	($111,989)
Fringe Benefits	($71,688)	($86,810)	($87,612)
Expense & Equipment	($39,933)	($1,711)	($1,745)
Other Cost – ITSD Form updates (p.9)	($26,769)	$0	$0
Total Costs – DOR	($228,090)	($198,314)	($201,346)
FTE Change	3 FTE	3 FTE	3 FTE
Costs – DED Section(s) 135.1310 & 135.1325 (p.11)	Up to…	Up to…	Up to…
Personnel Service	($323,668)	($396,170)	($404,093)
Fringe Benefits	($186,018)	($227,685)	($232,239)
Expense & Equipment	($63,348)	($23,171)	($23,635)
Total Costs – DED	($573,034)	($647,026)	($659,967)
FTE Change	5 FTE	5 FTE	5 FTE
Cost – Section 135.1350 "Child Care Providers Tax Credit Act." (p.10)	$0	Up to ($23,000,000)	Up to ($23,000,000)
Costs – DESE Section(s) 135.1350 (p.11)	Up to…	Up to…	Up to…
Personnel Service	($195,970)	($239,867)	($244,665)
Fringe Benefits	($125,266)	($153,325)	($156,391)
Expense & Equipment	($55,809)	($45,951)	($46,870)
Total Costs – DESE	($377,045)	($439,144)	($447,926)
FTE Change	4 FTE	4 FTE	4 FTE

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
Cost – DESE – ITSD New Database and ongoing maintenance (p.11)	($500,000)	($50,000)	($50,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**Up to ($1,678,169)**	**Up to ($70,334,484)**	**Up to ($70,359,239)**
Estimated Net FTE Change on General Revenue	12 FTE	12 FTE	12 FTE

FISCAL IMPACT – Local Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

The proposal could have a direct fiscal impact on small business child care facilities.

FISCAL DESCRIPTION
CHILD CARE CONTRIBUTION TAX CREDIT ACT

This bill establishes the "Child Care Contribution Tax Credit Act". Beginning January 1, 2025, a taxpayer may claim a tax credit, against his or her state liability for that tax year, for verified contributions to a child care provider in an amount equal to 75% of the contribution. The tax credit issued shall not be less than $100, and shall not exceed $200,000 per tax year.

To be eligible for the tax credit, a donation must be:

(1) 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, distributed in full by said intermediary within two years of receipt to one or more child care providers;

(3) Made to a child care provider or intermediary in which the taxpayer or a person related to the taxpayer does not have a direct financial interest; and

(4) Not 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 shall not be refundable and shall not transferred, sold, or otherwise conveyed. The cumulative amount of tax credits authorized shall 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 shall be increased by 15%, provided that all such increases of tax credits shall 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 on December 31, 2030.

EMPLOYER PROVIDED CHILD CARE ASSISTANCE TAX CREDIT ACT

This bill also establishes the "Employer Provided Child Care Assistance Tax Credit Act". Beginning January 1, 2025, 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 shall 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, RSMo; 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 shall 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 care for by, and only require a level of care ordinarily provided by, such facility.

The tax credits shall not be refundable, transferable, sold, assigned, or otherwise conveyed. The cumulative amount of tax credits shall 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 shall be increased by 15%, provided that all such increases of tax credits shall be reserved for contributions made to child care providers located in a child care desert.

The program sunsets on December 31, 2030.

CHILD CARE PROVIDERS TAX CREDIT ACT

This bill also establishes the "Child Care Providers Tax Credit Act". Beginning January 1, 2025, 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 shall be allowed if the capital expenditures are less than $1,000. The amount of any tax credit issued shall not exceed $200,000 per child care provider per tax year. To claim a tax credit for capital expenditures, a child care provider shall 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 cumulative amount of tax credits authorized pursuant to this section shall 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 shall be increased by 15%, provided that all such increases of tax credits shall be reserved for contributions made to child care providers located in a child care desert.

The program sunsets on December 31, 2030.

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 Elementary and Secondary Education
Department of Economic Development
Department of Revenue
Office of Administration – Budget & Planning
Office of the Secretary of State
Joint Committee on Administrative Rules

Julie Morff
Director
February 6, 2024

Ross Strope
Assistant Director
February 6, 2024