

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 1465

H. P. 1240

House of Representatives, March 24, 1981

Referred to the Committee on Taxation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative J. Diamond of Bangor.

Cosponsors: Representative Post of Owls Head, Representative Hayden of Durham and Senator Najarian of Cumberland.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

AN ACT to Establish a Limited Tax Credit to Aid Businesses Providing Day Care Services to their Employees.

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

36 MRSA § 5216 is enacted to read:

§ 5216. Day care tax credit

1. Credit allowed. A business taxpayer shall be allowed a credit equal to 20% of the first \$10,000 of net expenses incurred to provide day care to the children of employees by the business. This credit shall be provided against any tax imposed by this Part on the taxpayer's net business income.

2. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. A "facility" includes a building, a space in an existing building or a day care home licensed for the care of children.

B. "Net business income" is that portion of Maine net income which is derived from the operation of a business whose employees are provided with the opportunity for day care services by the business.

C. To “provide day care” means to expend funds to build, furnish, license, staff, operate, subsidize or contract with a facility in the State to offer, at no profit to the employer, care and supervision of children of employees.

3. Limitation. The maximum credit shall be the lesser of \$2,000 or \$50 for each child enrolled full time throughout the taxable year or the equivalent in part-time or temporary enrollees, except that in the year of start-up of services, it shall be \$50 for each child enrolled full time on the last day of the year or the equivalent in part-time enrollees.

4. Carryover. The amount of credit that may be used by any taxpayer for any taxable year shall not exceed the amount of tax otherwise due on the net business income. Any unused credit may be carried over to the following year or years for a period not to exceed 3 years, including the year the credit was first taken.

STATEMENT OF FACT

The purpose of this bill is to encourage employers, through tax incentives, to assist their employees in meeting their child care needs. The bill would provide a credit to both large and small business, corporations or sole proprietorships. It is anticipated that the smaller employer who cannot afford to set up on-site facilities would be encouraged to contract with or set up or subsidize all or part of day care for their employees.

There are several limitations built into the bill. The credit can only be applied against the taxes on the net business income, so there is no creation of a tax shelter. The credit is limited to \$2,000 or to a figure that represents the amount of service actually provided to the children of employees.

These limitations recognize that there is another benefit to both business and society that results from the providing of employee child care. The benefit is the creation of a more stable work force with a higher morale.