

MAINE STATE LEGISLATURE

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SMG
R. OES

L.D. 1118

Date: 6/9/11

Minority

(Filing No. H-597)

TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
125TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 830, L.D. 1118, Bill, "An Act To Provide a Tax Credit for High-quality Child Care Sites"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

Sec. 1. 22 MRSA §4100, sub-§2, as reallocated by RR 1999, c. 2, §26, is amended to read:

2. List of sites. The department shall develop and maintain a list of quality child care sites in the State. The department shall provide a list of the quality child care sites and the steps at which they are rated to the Department of Administrative and Financial Services, Bureau of Revenue Services.

Sec. 2. 22 MRSA §4100, sub-§§3 to 5 are enacted to read:

3. Quality rating system. The department shall establish a 4-step quality rating system for child care sites by rule in which step one includes those child care sites that meet minimum licensing standards, steps 2 and 3 include those child care sites that have additional requirements related to licensing compliance, learning environment, program evaluation, professional development, administrative policies, parental involvement and assessment, and step 4 includes those child care sites that provide the highest level of quality child care services, including accreditation by an independent nationally recognized program approved by the Office of Child Care and Head Start.

4. Public-private partnership. For purposes of the income tax credit provided under Title 36, section 5219-Q, subsection 2-A, paragraph B, the department shall certify to the State Tax Assessor public-private partnership funds that support the development of quality child care sites.

5. Rulemaking. The department shall adopt rules to implement this section. Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

1 **Sec. 3. 36 MRSA §5218**, as amended by PL 2005, c. 519, Pt. DD, §§1 to 3, is
2 further amended to read:

3 **§5218. Income tax credit for child care expenses**

4 **1. Resident taxpayer.** A resident individual is allowed a credit against the tax
5 otherwise due under this Part in the amount of ~~25%~~ 23% of the federal tax credit
6 allowable for child and dependent care expenses in the same tax year, except that for tax
7 years beginning in 2003, 2004 and 2005, the applicable percentage is 21.5% ~~instead of~~
8 25%.

9 **2. Nonresident taxpayer.** A nonresident individual is allowed a credit against the
10 tax otherwise due under this Part in the amount of ~~25%~~ 23% of the federal tax credit
11 allowable for child and dependent care expenses multiplied by the ratio of the individual's
12 Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to
13 the individual's entire federal adjusted gross income, as modified by section 5122, except
14 that for tax years beginning in 2003, 2004 and 2005, the applicable percentage is 21.5%
15 ~~instead of 25%~~.

16 **2-A. Part-year resident taxpayer.** An individual who files a return as a part-year
17 resident in accordance with section 5224-A is allowed a credit against the tax otherwise
18 due under this Part in the amount of ~~25%~~ 23%, except that for tax years beginning in
19 2003, 2004 and 2005 the applicable percentage is 21.5% ~~instead of 25%~~, of the federal
20 tax credit allowable for child and dependent care expenses multiplied by a ratio, the
21 numerator of which is the individual's Maine adjusted gross income as defined in section
22 5102, subsection 1-C, paragraph A for that portion of the taxable year during which the
23 individual was a resident plus the individual's Maine adjusted gross income as defined in
24 section 5102, subsection 1-C, paragraph B for that portion of the taxable year during
25 which the individual was a nonresident and the denominator of which is the individual's
26 entire federal adjusted gross income, as modified by section 5122.

27 **3. Quality child care services.** The credit provided by subsections 1, 2 and 2-A
28 ~~doubles in amount~~ increases as follows if the child care expenses were incurred through
29 the use of quality child care services as defined in section 5219-Q, subsection 1 and in
30 accordance with the quality rating system established by the Department of Health and
31 Human Services, Office of Child Care and Head Start pursuant to Title 22, section 4100,
32 subsection 3.

33 A. If child care services are provided at a child care site with a quality rating of step
34 2 under Title 22, section 4100, subsection 3, the credit increases to 30% of the federal
35 credit.

36 B. If child care services are provided at a child care site with a quality rating of step
37 3 under Title 22, section 4100, subsection 3, the credit increases to 38% of the federal
38 credit.

39 C. If child care services are provided at a child care site with a quality rating of step
40 4 under Title 22, section 4100, subsection 3, the credit increases to 50% of the federal
41 credit.

42 **4. Refund.** The credit allowed by this section may result in a refund of up to \$500
43 \$1,000. In the case of a nonresident individual, the refundable portion of the credit may

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1 not exceed \$500 \$1,000 multiplied by the ratio of the individual's Maine adjusted gross
2 income, as defined in section 5102, subsection 1-C, paragraph B, to the individual's entire
3 federal adjusted gross income, as modified by section 5122. In the case of an individual
4 who files a return as a part-year resident in accordance with section 5224-A, the
5 refundable portion of the credit may not exceed \$500 \$1,000 multiplied by a ratio, the
6 numerator of which is the individual's Maine adjusted gross income as defined in section
7 5102, subsection 1-C, paragraph A for that portion of the taxable year during which the
8 individual was a resident plus the individual's Maine adjusted gross income as defined in
9 section 5102, subsection 1-C, paragraph B for that portion of the taxable year during
10 which the individual was a nonresident and the denominator of which is the individual's
11 entire federal adjusted gross income, as modified by section 5122.

12 **Sec. 4. 36 MRSA §5219-Q**, as amended by PL 2005, c. 618, §§11 to 13, is further
13 amended to read:

14 **§5219-Q. Quality child care investment credit**

15 **1. Definition.** As used in this section, unless the context otherwise indicates,
16 "quality child care services" means services provided at a child care site that meets
17 minimum licensing the standards and: requirements established by the Department of
18 Health and Human Services, Office of Child Care and Head Start in accordance with the
19 quality rating system under Title 22, section 4100.

20 ~~A.— Is accredited by an independent, nationally recognized program approved by the~~
21 ~~Department of Health and Human Services, Office of Child Care and Head Start;~~

22 ~~B.— Utilizes recognized quality indicators for child care services approved by the~~
23 ~~Department of Health and Human Services, Office of Child Care and Head Start; and~~

24 ~~C.— Includes provisions for parent and client input, a review of the provider's policies~~
25 ~~and procedures, a review of the provider's program records and an on-site program~~
26 ~~review.~~

27 ~~For large, multifunction agencies, only those portions of the child care sites that were~~
28 ~~reviewed by the accrediting body may be considered sites that provide quality child care~~
29 ~~services.~~

30 **1-A. Certification.** Upon application by an investor, the Department of Health and
31 Human Services, Office of Child Care and Head Start shall certify if an investment in a
32 child care site contributed significantly toward the ability of the child care site to improve
33 its level of child care services toward the goal of providing quality child care services.
34 The department shall send a list of taxpayers making certified investments in the previous
35 year to the State Tax Assessor by February 1st annually. The department may not certify
36 more than \$50,000 in investments in a calendar year.

37 ~~2. Credit allowed.~~ A taxpayer that has made an investment in child care services
38 certified under subsection 1-A during the tax year is allowed a credit against the tax
39 imposed by this Part in an amount equal to the qualifying portion of expenditures paid or
40 expenses incurred by the taxpayer for certified investments in child care services as
41 calculated pursuant to subsection 3.

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2-A. Credit allowed. A taxpayer is allowed a credit against the tax imposed by this Part equal to the qualifying portion of the total of the following:

A. Expenditures paid or incurred by the taxpayer during the tax year certified under subsection 1-A; and

B. Contributions made by the taxpayer to a child care public-private partnership fund certified by the Department of Health and Human Services, Office of Child Care and Head Start under Title 22, section 4100, subsection 4.

3. Qualifying portion. For purposes of calculating the credit provided by this section, the qualifying portion is:

A. For a corporation, 30% of up to \$30,000 of the total of expenditures and contributions as provided in subsection 2-A, apportioned if part of an affiliated group engaged in a unitary business; and

B. For an individual taxpayer, if the taxpayer expends or contributes as provided in subsection 2-A at least \$10,000 in one year, \$1,000 each year for 10 years and \$10,000 at the end of the 10-year period.

4. Limitation; carry-over. The credit provided by this section may not reduce the tax otherwise due under this Part below zero. Any unused portion of the credit may be carried over to the following year or years until exhausted.

Sec. 5. Application. This Act applies to tax years beginning on or after January 1, 2012.

Sec. 6. Appropriations and allocations. The following appropriations and allocations are made.

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF
Revenue Services - Bureau of 0002**

Initiative: Appropriates funds for computer programming to update the existing child care credit calculation used by Internet filing and electronic filing programs.

GENERAL FUND	2011-12	2012-13
All Other	\$10,000	\$0
GENERAL FUND TOTAL	<u>\$10,000</u>	<u>\$0</u>

SUMMARY

This amendment, which is the minority report, replaces the bill. It requires the Department of Health and Human Services to provide a list of the quality child care facilities to the Department of Administrative and Financial Services, Maine Revenue Services in order to track the credit and to establish the 4 steps of the quality rating

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COMMITTEE AMENDMENT "A" to H.P. 830, L.D. 1118

1 system in rule. It provides that certain contributions are components of one credit rather
2 than 2 separate credits. It also adds an appropriations and allocations section.

3

FISCAL NOTE REQUIRED

4

(See attached)



125th MAINE LEGISLATURE

LD 1118

LR 1847(02)

An Act To Provide a Tax Credit for High-quality Child Care Sites

Fiscal Note for Bill as Amended by Committee Amendment "A"
 Committee: Taxation
 Fiscal Note Required: Yes

Fiscal Note

	FY 2011-12	FY 2012-13	Projections FY 2013-14	Projections FY 2014-15
Net Cost (Savings)				
General Fund	\$10,000	\$0	\$0	\$0
Appropriations/Allocations				
General Fund	\$10,000	\$0	\$0	\$0

Fiscal Detail and Notes

This bill includes a one-time \$10,000 appropriation in fiscal year 2011-12 for Maine Revenue Services to update the existing child care credit calculation used by internet filing and electronic filing programs to administer the income tax credit for high-quality child care. Any additional costs to the Department of Health and Human Services can be absorbed within existing budgeted resources.