

MAINE STATE LEGISLATURE

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L.D. 1678

Date: 3-28-22

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MAJORITY
TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
130TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1249, L.D. 1678, "An Act To Support Child Care Providers and School Readiness through Tax Credits"

Amend the bill in section 2 in subsection 3 in the 2nd line (page 1, line 17 in L.D.) by striking out the following: "2022" and inserting the following: '2023'

Amend the bill by striking out all of section 3 and inserting the following:

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

5. Evaluation; specific public policy objectives; performance measures. Beginning in 2026, the credit provided under subsection 3 is subject to ongoing legislative review in accordance with Title 3, chapter 37. In developing evaluation parameters to perform the review, the Office of Program Evaluation and Government Accountability shall consider whether the specific public policy objectives and economic benefit of the credit provided under subsection 3 outweigh the loss of revenue to the State.'

Amend the bill in section 4 in §5218-B in subsection 2 in the 2nd line (page 3, line 10 in L.D.) by striking out the following: "2022" and inserting the following: '2023'

Amend the bill in section 4 in §5218-B in subsection 3 in the 2nd line (page 3, line 26 in L.D.) by striking out the following: "2022" and inserting the following: '2023'

Amend the bill in section 4 in §5218-B by striking out all of subsection 6 (page 4, lines 23 to 35 in L.D.) and inserting the following:

'6. Evaluation; specific public policy objectives; performance measures. Beginning in 2026, the credit provided under this section is subject to ongoing legislative review in accordance with Title 3, chapter 37. In developing evaluation parameters to perform the review, the Office of Program Evaluation and Government Accountability shall consider whether the specific public policy objectives and economic benefit of the credit provided under this section outweigh the loss of revenue to the State.'

Amend the bill in section 5 in §5218-C in subsection 1 by striking out all of paragraph B (page 4, lines 41 to 43 and page 5, lines 1 to 6 in L.D.) and inserting the following:

COMMITTEE AMENDMENT

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1 'B. "Providing child care services" means expending funds to build, furnish, license,
2 staff, operate or subsidize a child care center licensed by the Department of Health and
3 Human Services to provide early care and education services to children of employees
4 of the taxpayer at no profit to the taxpayer or to contract with a child care facility
5 licensed by or registered with the department to provide early care and education
6 services to children of the employees of the taxpayer. "Providing child care services"
7 includes payments made by an employer to an employee for purposes of paying for
8 early care and education services for children of the employee under a dependent care
9 assistance program and the provision of child care resource and referral services to
10 employees.'

11 Amend the bill in section 5 in §5218-C by striking out all of subsection 2 (page 5, lines
12 12 to 23 in L.D.) and inserting the following:

13 '2. Credit allowed for quality child care site expenses. For tax years beginning on
14 or after January 1, 2023, a taxpayer constituting an employing unit is allowed a credit
15 against the tax imposed by this Part for each taxable year in an amount equal to the lowest
16 of:

17 A. A percentage of the costs incurred by the taxpayer in providing child care services
18 at child care sites as follows:

19 (1) If the quality rating of the child care site is step 1, 5% of the costs of providing
20 child care services;

21 (2) If the quality rating of the child care site is step 2, 10% of the costs of providing
22 child care services;

23 (3) If the quality rating of the child care site is step 3, 15% of the costs of providing
24 child care services; or

25 (4) If the quality rating of the child care site is step 4, 20% of the costs of providing
26 child care services;

27 B. One thousand dollars for each child of an employee of the taxpayer for which the
28 taxpayer is incurring costs for child care services; and

29 C. Ten thousand dollars.'

30 Amend the bill in section 5 in §5218-C by striking out all of subsection 3 (page 5, lines
31 24 to 36 in L.D.) and inserting the following:

32 '3. Evaluation; specific public policy objectives; performance measures.
33 Beginning in 2026, the credit provided under this section is subject to ongoing legislative
34 review in accordance with Title 3, chapter 37. In developing evaluation parameters to
35 perform the review, the Office of Program Evaluation and Government Accountability
36 shall consider whether the specific public policy objectives and economic benefit of the
37 credit provided under this section outweigh the loss of revenue to the State.'

38 Amend the bill in section 5 in §5218-C by inserting after subsection 3 the following:

39 '4. Carry-over. The amount of the credit that may be used by a taxpayer for a taxable
40 year may not exceed the amount of tax otherwise due under this Part. Any unused credit
41 may be carried over to the following year or years not to exceed 15 years.'

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1 Amend the bill in section 8 in subsection 9 in the 2nd line (page 6, line 12 in L.D.) by
2 striking out the following: "2023" and inserting the following: '2024'

3 Amend the bill in section 8 in subsection 9 in the last line (page 6, line 18 in L.D.) by
4 striking out the following: "2022" and inserting the following: '2023'

5 Amend the bill by inserting after section 8 the following:

6 **'Sec. 9. Appropriations and allocations.** The following appropriations and
7 allocations are made.

8 **HEALTH AND HUMAN SERVICES, DEPARTMENT OF**

9 **Child Care Services 0563**

10 Initiative: Provides funding to update an existing contract to expand the credential
11 repository to include quality standards for infants, toddlers and school-age children.

12	GENERAL FUND	2021-22	2022-23
13	All Other	\$0	\$70,000
14			
15	GENERAL FUND TOTAL	<u>\$0</u>	<u>\$70,000</u>

16 **Child Care Services 0563**

17 Initiative: Provides funding for 3 Management Analyst II positions and one Social Services
18 Manager I position to capture data, verify provider eligibility in the child care subsidy
19 program within the Office of Child and Family Services, determine provider eligibility
20 based on foster care status and provide technical assistance for providers.

21	GENERAL FUND	2021-22	2022-23
22	POSITIONS - LEGISLATIVE COUNT	0.000	4.000
23	Personal Services	\$0	\$242,595
24	All Other	\$0	\$13,074
25			
26	GENERAL FUND TOTAL	<u>\$0</u>	<u>\$255,669</u>

27
28 **HEALTH AND HUMAN SERVICES,**
29 **DEPARTMENT OF**
30 **DEPARTMENT TOTALS**

31		2021-22	2022-23
32	GENERAL FUND	\$0	\$325,669
33			
34	DEPARTMENT TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$325,669</u>

35
36 Amend the bill by relettering or renumbering any nonconsecutive Part letter or section
37 number to read consecutively.

38 **SUMMARY**

39 This amendment moves dates forward by one year to reflect the carry-over of the bill
40 to the Second Regular Session of the 130th Legislature. The amendment also changes the

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COMMITTEE AMENDMENT "A" to H.P. 1249, L.D. 1678

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calculation of the income tax credit for an employer that pays for the costs of quality child care sites by providing that the credit is the lowest of a percentage based on the site's quality rating; \$1,000 for each child of an employee for which costs are incurred by the employer; and \$10,000.

The amendment provides that the credit for quality child care site expenses may be carried over up to 15 years and deletes language requiring an annual evaluation by the Office of Program Evaluation and Government Accountability. The amendment also adds an appropriations and allocations section.

FISCAL NOTE REQUIRED
(See attached)

COMMITTEE AMENDMENT



130th MAINE LEGISLATURE

LD 1678

LR 718(02)

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

Fiscal Note for Bill as Amended by Committee Amendment *A (H-854)*

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	FY 2021-22	FY 2022-23	Projections FY 2023-24	Projections FY 2024-25
Net Cost (Savings)				
General Fund	\$0	\$325,669	\$28,003,198	\$28,251,106
Appropriations/Allocations				
General Fund	\$0	\$325,669	\$690,698	\$607,056
Revenue				
General Fund	\$0	\$0	(\$27,312,500)	(\$27,644,050)
Other Special Revenue Funds	\$0	\$0	(\$1,437,500)	(\$1,454,950)

Fiscal Detail and Notes

The bill includes General Fund appropriations to the Department of Health and Human Services of \$325,669 in fiscal year 2022-23 for 3 Management Analyst II positions and one Social Services Manager I position to capture data, verify provider eligibility in the Child Care Subsidy Program, determine provider eligibility based on foster care status, provide technical assistance for providers and to update an existing contract to expand the credential repository to include quality standards for infants, toddlers and school age kids.

The bill provides tax credits to child care providers, educators, administrators and other professional support staff and amends the current income tax credit for child care expenses and will result in a reduction in General Fund revenue of \$27,312,500 in fiscal year 2023-24 and \$27,644,050 in fiscal year 2024-25. It will also result in a reduction in Local Government Fund revenue of \$1,437,500 in fiscal year 2023-24 and \$1,454,950 in fiscal year 2024-25.

The Department of Administrative and Financial Services will require a General Fund appropriation of \$200,000 in fiscal year 2023-24 and \$102,720 in fiscal year 2024-25 for one Tax Examiner II position, computer programming and related administrative costs to revise income tax filings and schedules, provide taxpayer assistance and audit affected returns. Any additional costs to the Office of Program Evaluation and Government Accountability are expected to be minor and can be absorbed within existing budgeted resources.