

MAINE STATE LEGISLATURE

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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14 **Sec. 2. 36 MRSA §5218, sub-§3**, as amended by PL 2003, c. 391, §10, is repealed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 **Sec. 7. 36 MRSA §5403, sub-§8**, as enacted by PL 2017, c. 474, Pt. B, §24, is
2 amended to read:

3 **8. Personal exemption phase-out.** Beginning in 2018 and each year thereafter, by
4 the dollar amount of the applicable amounts specified in section 5126-A, subsection 2,
5 paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding
6 section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer
7 Price Index for the 12-month period ending June 30th of the preceding calendar year
8 divided by the Chained Consumer Price Index for the 12-month period ending June 30,
9 2017, and

10 **Sec. 8. 36 MRSA §5403, sub-§9** is enacted to read:

11 **9. Eligible child care providers, administrators, educators and staff.** Beginning in
12 2023 and each year thereafter, by the tax credit amounts specified in section 5218-B,
13 subsection 2 for eligible child care providers and section 5218-B, subsection 3 for
14 administrators, educators and other professional support staff of eligible child care
15 providers, except that for the purposes of this subsection, notwithstanding section 5402,
16 subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for
17 the 12-month period ending June 30th of the preceding calendar year divided by the
18 Chained Consumer Price Index for the 12-month period ending June 30, 2022.

19 **SUMMARY**

20 This bill does the following for quality child care services, beginning in 2022.

21 1. It provides a refundable tax credit of \$1,000 to \$2,000 per eligible child to child
22 care providers that provide services to children whose parents are participating in the child
23 care subsidy program operated by the Department of Health and Human Services, Office
24 of Child and Family Services or foster children in the custody of the Department of Health
25 and Human Services. The amount of the credit is based on the quality of the child care
26 provider as determined pursuant to a quality rating and improvement system based on
27 standards for center-based child care programs developed by the Department of Health and
28 Human Services, Office of Child and Family Services.

29 2. It provides a refundable tax credit of \$1,000 to \$5,000 to administrators, educators
30 and other professional support staff of child care providers that provide services to children
31 whose parents are participating in the child care subsidy program operated by the
32 Department of Health and Human Services, Office of Child and Family Services or foster
33 children in the custody of the Department of Health and Human Services. The amount of
34 the credit is based on individual qualification score lattices developed and established for
35 administrators, management, owners and coordinators and educators and other support
36 staff of child care facilities through a collaborative partnership between the Cutler Institute
37 of Health and Social Policy at the University of Southern Maine, the University of Maine
38 Center for Community Inclusion and Disability Studies and the Department of Psychology
39 at the University of Maine.

40 3. It amends the current income tax credit for child care expenses to allow a taxpayer
41 to obtain a credit of between 50% and 200% of the federal tax credit, depending on the
42 quality rating of the child care site providing child care services for the child of the
43 taxpayer. Current law allows up to 50% of the federal tax credit if the child care expenses
44 are incurred through the use of quality child care services.

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.