



## Fiscal Estimate Narratives

DOR 11/15/2023

LRB Number	23-4875/1	Introduction Number	SB-0623	Estimate Type	Original
<b>Description</b> creating a tax credit for employer child care programs and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

The bill creates a refundable credit for employer provided child care services. There are two parts to the credit.

The first part limits the credit for the following activities up to \$100,000.

1. Capital expenditures and expenses incurred in the first year to establish a child care program not operated by the claimant.
2. Contributions to a nonprofit organization to establish a child care program.

The second part of the credit is limited to \$3,000 per child for the following activities:

3. Expenses to operate a child care program by the claimant.
4. Payments to a child care program for the benefit of an employee, not exceeding the amount charged to other children of like age and abilities of individuals not employed by the claimant.
5. Administrative costs associated with payments to a child care program for the benefit of an employee, not exceeding 1% of such costs.

### Fiscal Estimate

The data does not exist to determine the fiscal effect. However, there is a federal credit that is similar to the credit in the bill. If we were to derive an estimate from the federal credit, the fiscal effect would be a minimal increase to state expenditures due to the low number of taxpayers.

However, there are key differences between the proposed bill and the federal credit. The proposed bill is more generous than the federal credit. The federal credit caps the amount of qualified expenditures at 25% of the total, whereas the proposed bill does not. The federal credit also caps the entire credit at \$150,000. Under the proposed bill, only capital expenditures and contributions to nonprofits are capped at \$100,000. The credit claimed for other activities is capped per child, potentially allowing the taxpayer to claim a greater amount under the proposed bill than the federal credit. Given the differences, the proposed bill may incentivize more employers to claim the credit, thus providing for a more substantial fiscal effect.

Because this bill increases spending, it may impact the state's maintenance of effort requirement under the American Rescue Plan Act. The Dept of Administration should review this bill for this specific purpose to provide further clarity on the matter.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> creating a tax credit for employer child care programs and making an appropriation		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  \$53,000 for training, drafting new documents, and testing internal software changes related to the creation of a new credit.		
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$See Text	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b> <b>Authorized Signature</b> <b>Date</b>		
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