



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1958

PRINTER'S NO. 3077

PRIME SPONSOR: Hanbidge

COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
General Fund	\$0	\$0

SUMMARY:

This legislation creates the Employer Child Care Contribution Tax Credit.

ANALYSIS:

House Bill 1958, Printer's Number 3077 amends Act 2 of 1971 (Tax Reform Code of 1971) to create the Employer Child Care Contribution Tax Credit. Beginning in tax year 2025, a qualified taxpayer (i.e., employer) would be able to claim this tax credit for a contribution made during the taxable year towards an employee's eligible child-care costs and may apply the tax credit against its qualified tax liability. The amount of the tax credit that a qualified taxpayer could claim would be equal to 30 percent of the aggregate contribution made to eligible child-care expenses for employees during the tax year. Only the first \$500 per employee would be counted towards the aggregate contribution. Contributions made to an employee's eligible child-care costs during the taxable year would not be considered income for purposes of the state Personal Income Tax.

A qualified taxpayer would need to complete and submit an application to the Department of Revenue in order to claim the tax credit, which would need to include the following information:

- The names, addresses, and Social Security numbers of all employees to which the qualified taxpayer made a contribution during the taxable year;
- The names, addresses, and employer identification numbers of the child-care providers that provided child-care services to each participating employee;
- The amount contributed to each participating employee; and
- The aggregate contribution.

A qualified taxpayer would not be permitted to carry forward, carry back, obtain a refund of, sell, or assign an unused tax credit granted to them. In the case of pass-through entities, the qualified taxpayer may elect to transfer all or a portion of the credit to shareholders, members, or partners in proportion to the share of the qualified taxpayer's distributive income to which the shareholders, members, or partners are entitled or in any other manner designated by the qualified taxpayer. The same unused tax credit would not be able to be claimed by the pass-through entity and a shareholder, member, or partner of the pass-through entity, and the tax credit must be used during the taxable year in which it was authorized.

Employees that have incurred eligible child-care costs shall have an equal opportunity to receive a contribution from the employer. Any employer that chooses to make contributions to a child-care provider for the purposes of claiming the tax credit would be required to make equal contributions during the tax year to any employee that has eligible child-care costs.

This legislation would take effect immediately upon enactment, and the provisions of the legislation would apply to taxable years beginning after December 31, 2024.

FISCAL IMPACT:

This legislation would reduce General Fund revenues to the extent that employers make contributions towards eligible child-care expenses for their employees and subsequently claim the Employer Child Care Contribution Tax Credit. Given that the tax credit would not be applicable until tax year 2025, the revenue reduction that would result from enactment of this legislation would not occur until fiscal year 2025/26. Therefore, there would be no fiscal impact in 2023/24 or 2024/25. The Department of Revenue estimates that this legislation could result in an estimated \$8.1 million in tax credits in 2025/26.

Fiscal Impact of Proposed Employer Child Care Contribution Tax Credit (\$ amounts in millions)						
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Estimated Fiscal Impact	\$0	\$0	-\$8.1	-\$8.1	-\$8.0	-\$8.0

Additionally, the Department of Revenue anticipates a revenue loss to the General Fund due to the exclusion of any employer contributions from the employee’s income for purposes of the state Personal Income Tax. However, this revenue loss is currently indeterminate.

PREPARED BY: Brittany Van Strien, MPP, Budget Analyst
House Appropriations Committee (D)

DATE: May 21, 2024

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.