**LD 1678**

**LR 718**

**jsj PROPOSED COMMITTEE AMENDMENT**

**1/24/22 Rep. RMillett**

Changes from LD are indicated with yellow highlighting.

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

**Be it enacted by the People of the State of Maine as follows:**

**Sec.** **1. 22 MRSA §5308,** as amended by PL 2013, c. 368, Pt. CCCC, §6, is further amended by adding at the end a new paragraph to read:

The office shall notify the State Tax Assessor immediately of any changes made to grading or scoring systems of child care provider quality standards and career qualifications for administrators, educators and staff of child care providers developed by the office or in cooperation with an entity outside of the office and used to determine tax credits pursuant to Title 36, section 5218, 5218-B or 5218-C. The office, in consultation with the State Tax Assessor, shall submit a report, including suggested legislation, to the joint standing committees of the Legislature having jurisdiction over health and human services matters and taxation matters implementing the changes necessary to the law to reflect the changes to the grading or scoring systems. Either joint standing committee may submit a bill to the Legislature based on the report of the office.

**Sec.** **2. 36 MRSA §5218, sub-§3,** as amended by PL 2003, c. 391, §10, is repealed and the following enacted in its place:

**3.** **Child care services provided at quality child care site.** For tax years beginning on or after January 1, ~~2022~~ 2023, the credit provided by subsections 1, 2 and 2-A is increased by a percentage of the federal tax credit based on the quality rating of the child care site as provided in this subsection.

A. As used in this subsection, unless the context otherwise indicates, the following terms have the following meanings.

(1) "Federal tax credit" means the federal tax credit allowable for child and dependent care expenses in the same tax year.

(2) "Quality rating" means the rating, expressed as a star number in a series from 1 to 5, given to a child care site pursuant to a quality rating and improvement system based on standards for family child care programs developed by the Department of Health and Human Services, Office of Child and Family Services and detailed in the September 2020 report "Rising Stars for ME Pilot Report."

B. The percentage increase is determined as follows.

(1) If the quality rating of the child care site is star 1, the credit is 50% of the federal tax credit.

(2) If the quality rating of the child care site is star 2, the credit is 100% of the federal tax credit.

(3) If the quality rating of the child care site is star 3, the credit is 150% of the federal tax credit.

(4) If the quality rating of the child care site is star 4 or 5, the credit is 200% of the federal tax credit.

C. A taxpayer who has more than one child eligible for the credit under this section shall calculate the credit for each child separately. If the child of a taxpayer receives child care services from more than one child care site in the same tax year, the taxpayer shall calculate the credit based on the highest-rated child care site.

D. The credit calculated pursuant to this subsection is refundable.

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

**5.** **Evaluation; specific public policy objectives; performance measures.**  Beginning in ~~2025~~ 2026, the credit provided under subsection 3 is subject to ongoing legislative review in accordance with Title 3, chapter 37. The Office of Program Evaluation and Government Accountability by January 15th annually shall submit an evaluation of the credit provided under subsection 3 to the joint legislative committee established to oversee program evaluation and government accountability matters and the joint standing committee of the Legislature having jurisdiction over taxation matters. In developing evaluation parameters to perform the review, the office 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.

The Office of Program Evaluation and Government Accountability by January 15th annually shall provide a report of its evaluation under this subsection to the joint standing committee of the Legislature having jurisdiction over taxation matters.

**Sec.** **4. 36 MRSA §5218-B** is enacted to read:

**§****5218-B.** **Tax credit for child care providers and staff for certain Department of** **Health and Human Services program participants**

**1.** **Definitions.** As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Administrator" means, for an eligible child care provider, a director, administrator or lead staff person who is responsible for the day-to-day operation, supervision and administration of the eligible child care provider and includes a program director, supervisor, owner and education supervisor.

B. "Department" means the Department of Health and Human Services.

C. "Eligible child" means:

(1) The child of a parent who is participating in the child care subsidy program in the Office of Child and Family Services within the department; or

(2) A foster child who is in the custody of the department.

D. "Eligible child care provider" means a child care center, a child care facility or a family child care provider, as those terms are defined in Title 22, section 8301-A, subsection 1-A, paragraphs A, B and C, respectively, that provides child care to an eligible child.

E. "Individual qualification score" means the career lattice rating systems developed and established as of 2019 for family and center-based child care and administrators, educators and other support professionals through a collaborative partnership between the Cutler Institute of Health and Social Policy at the University of Southern Maine, the University of Maine Center for Community Inclusion and Disability Studies and the Department of Psychology at the University of Maine.

(1) For administrators, the career lattice is a series of levels from 1 to 6 as established in the "Administration Management/Coordination Career Lattice" for 2019.

(2) For educators and other professional support staff, the career lattice is a series of levels from 1 to 8 as established in the "Center Based Family Child Care School Age Direct Care Lattice" for 2019.

F. "Quality rating" means the rating, expressed as a star number in a series from 1 to 5, given to a child care provider pursuant to a quality rating and improvement system based on standards for family child care developed by the Office of Child and Family Services within the department and detailed in the September 2020 report "Rising Stars for ME Pilot Report."

**2.** **Tax credit for eligible child care provider.** For tax years beginning on or after January 1, ~~2022~~ 2023, an eligible child care provider is allowed a refundable credit against the tax otherwise due under this Part as determined pursuant to this subsection. The amount of the credit is based on the average of the number of eligible children who are cared for by that eligible child care provider each month and the quality rating of that eligible child care provider, as follows.

A. If an eligible child care provider's quality rating is star 1, the tax credit per eligible child cared for is $0.

B. If an eligible child care provider's quality rating is star 2, the tax credit per eligible child cared for is $1,000.

C. If an eligible child care provider's quality rating is star 3, the tax credit per eligible child cared for is $1,500.

D. If an eligible child care provider's quality rating is star 4, the tax credit per eligible child cared for is $1,750.

E. If an eligible child care provider's quality rating is star 5, the tax credit per eligible child cared for is $2,000.

**3.** **Tax credit for administrators, educators and other staff of eligible child care** **providers.** For tax years beginning on or after January 1, ~~2022~~ 2023, an administrator, educator or other professional support staff member of an eligible child care provider is allowed a refundable credit against the tax otherwise due under this Part as determined pursuant to this subsection.

A. For administrators, the amount of the credit is based on the individual qualification score as follows.

(1) If the administrator is rated level 2, the tax credit is $1,000.

(2) If the administrator is rated level 3, the tax credit is $1,500.

(3) If the administrator is rated level 4, the tax credit is $3,000.

(4) If the administrator is rated level 5, the tax credit is $3,500.

(5) If the administrator is rated level 6, the tax credit is $5,000.

B. For educators and other professional support staff, the amount of the credit is based on the individual qualification score as follows.

(1) If the educator or other professional support staff member is rated level 2, the tax credit is $1,000.

(2) If the educator or other professional support staff member is rated level 3, the tax credit is $1,500.

(3) If the educator or other professional support staff member is rated level 4, the tax credit is $3,000.

(4) If the educator or other professional support staff member is rated level 5, the tax credit is $3,500.

(5) If the educator or other professional support staff member is rated level 6 or higher, the tax credit is $5,000.

**4.** **Certification.** Upon application by an eligible child care provider or an administrator, educator or other professional support staff member of an eligible child care provider, the Office of Child and Family Services within the department shall certify the quality rating achieved by that eligible child care provider or the individual qualification score achieved by the administrator, educator or other professional support staff member of an eligible child care provider. The Office of Child and Family Services shall provide a certificate of quality rating to the eligible child care provider and a certificate of individual qualification score to the administrator, educator or other professional support staff member of the eligible child care provider, as appropriate.

**5.** **Application for credit.** In order to receive the tax credit specified in subsection 2, for an eligible child care provider, or in subsection 3, for the administrator, educator or other professional support staff member of an eligible child care provider, the taxpayer taking the credit must include with that taxpayer's return the certificate provided to that taxpayer pursuant to subsection 4.

**6.** **Evaluation; specific public policy objectives; performance measures.** Beginning in ~~2025~~ 2026, the credit provided under this section is subject to ongoing legislative review in accordance with Title 3, chapter 37. The Office of Program Evaluation and Government Accountability by January 15th annually shall submit an evaluation of the credit provided under this section to the joint legislative committee established to oversee program evaluation and government accountability matters and the joint standing committee of the Legislature having jurisdiction over taxation matters. In developing evaluation parameters to perform the review, the office 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.

The Office of Program Evaluation and Government Accountability by January 15th annually shall provide a report of its evaluation under this subsection to the joint standing committee of the Legislature having jurisdiction over taxation matters.

**Sec.** **5. 36 MRSA §5218-C** is enacted to read:

**§****5218-C.** **Business-supported quality child care**

**1.** **Definitions.** As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Employing unit" has the same meaning as in Title 26, section 1043.

B. "Providing child care services" means expending funds to build, furnish, license, staff, operate or subsidize a child care center licensed by the Department of Health and Human Services to provide early care and education services to children of employees of the taxpayer at no profit to the taxpayer or to contract with a child care facility licensed by or registered with the department to provide early care and education services to children of the employees of the taxpayer. "Providing child care services" also includes ~~the provision of child care resource and referral services to employees~~ ~~and the provision of vouchers by an employer to an employee for purposes of paying~~ ~~for early care and education services for children of the employee~~ payments by an employer to an employee for purposes of paying for early care and education services for children of the employee under a dependent care assistance program (DCAP) and the provision of child care resource and referral services to employees.

C. "Quality rating" means the rating, expressed as a step in a series of steps from 1 to 4, given to a child care site pursuant to a quality rating and improvement system based on standards for center-based child care programs developed by the Department of Health and Human Services, Office of Child and Family Services and in place as of January 1, 2021.

**2.** **Credit allowed for quality child care site expenses.** For tax years beginning on or after January 1, ~~2022~~ 2023, a taxpayer constituting an employing unit is allowed a credit against the tax imposed by this Part for each taxable year equal to the lowest of :

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

(1). If the quality rating of the child care site is step 1, the credit is 5% of the costs of providing child care services.

(2).. If the quality rating of the child care site is step 2, the credit is 10% of the costs of providing child care services.

(3). If the quality rating of the child care site is step 3, the credit is 15% of the costs of providing child care services.

(4). If the quality rating of the child care site is step 4, the credit is 20% of the costs of providing child care services:

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

C. Ten Thousand dollars.

**3.** **Evaluation; specific public policy objectives; performance measures.** Beginning in ~~2025~~ 2026 the credit provided under this section is subject to ongoing legislative review in accordance with Title 3, chapter 37. The Office of Program Evaluation and Government Accountability by January 15th annually shall submit an evaluation of the credit provided under this section to the joint legislative committee established to oversee program evaluation and government accountability matters and the joint standing committee of the Legislature having jurisdiction over taxation matters. In developing evaluation parameters to perform the review, the office 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.

The Office of Program Evaluation and Government Accountability by January 15th annually shall provide a report of its evaluation under this subsection to the joint standing committee of the Legislature having jurisdiction over taxation matters.

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

**Sec.** **6. 36 MRSA §5403, sub-§7,** as enacted by PL 2017, c. 474, Pt. B, §24, is amended to read:

**7.** **Personal exemptions.**  Beginning in 2018 and each year thereafter, by the dollar amounts contained in section 5126‑A, subsection 1, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; ~~and~~

**Sec.** **7. 36 MRSA §5403, sub-§8,** as enacted by PL 2017, c. 474, Pt. B, §24, is amended to read:

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

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

**9.** **Eligible child care providers, administrators, educators and staff.**  Beginning in ~~2023~~ 2024 and each year thereafter, by the tax credit amounts specified in section 5218-B, subsection 2 for eligible child care providers and section 5218-B, subsection 3 for administrators, educators and other professional support staff of eligible child care providers, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2022.

**SUMMARY**

This amendment changes references to calendar years to one year later than the bill to reflect the carryover of the bill to the Second Regula Session. The amendment also changes the calculation of the credit for an employer that pays for the costs 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.