

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 1200

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DATE	D-PG	OFFICIAL STATUS
02/26/2015	446	Introduction and first reading Referred to Health, Human Services and Housing

A bill for an act

relating to child care; modifying child care assistance program provider rates; expanding the dependent care credit; appropriating money; amending Minnesota Statutes 2014, sections 119B.13, subdivision 1; 290.067, subdivision 1; repealing Minnesota Statutes 2014, section 290.067, subdivisions 2, 2b.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

CHILD CARE ASSISTANCE

Section 1. Minnesota Statutes 2014, section 119B.13, subdivision 1, is amended to read:

Subdivision 1. **Subsidy restrictions.** (a) Beginning ~~February 3, 2014~~ July 1, 2015, the maximum rate paid for child care assistance in any county or county price cluster under the child care fund shall be the greater of the ~~25th~~ 50th percentile of the ~~2011~~ most recent biennial child care provider rate survey or the maximum rate effective November 28, 2011. The commissioner may: (1) assign a county with no reported provider prices to a similar price cluster; and (2) consider county level access when determining final price clusters.

(b) A rate which includes a special needs rate paid under subdivision 3 may be in excess of the maximum rate allowed under this subdivision.

(c) The department shall monitor the effect of this paragraph on provider rates. The county shall pay the provider's full charges for every child in care up to the maximum established. The commissioner shall determine the maximum rate for each type of care on an hourly, full-day, and weekly basis, including special needs and disability care. The maximum payment to a provider for one day of care must not exceed the daily rate. The maximum payment to a provider for one week of care must not exceed the weekly rate.

2.1 (d) Child care providers receiving reimbursement under this chapter must not be
 2.2 paid activity fees or an additional amount above the maximum rates for care provided
 2.3 during nonstandard hours for families receiving assistance.

2.4 (e) When the provider charge is greater than the maximum provider rate allowed,
 2.5 the parent is responsible for payment of the difference in the rates in addition to any
 2.6 family co-payment fee.

2.7 (f) All maximum provider rates changes shall be implemented on the Monday
 2.8 following the effective date of the maximum provider rate.

2.9 (g) Notwithstanding Minnesota Rules, part 3400.0130, subpart 7, maximum
 2.10 registration fees in effect on January 1, 2013, shall remain in effect.

2.11 **Sec. 2. APPROPRIATION; CHILD CARE ASSISTANCE PROGRAMS.**

2.12 (a) \$270,000,000 is appropriated for the biennium beginning on July 1, 2015, from
 2.13 the general fund to the commissioner of human services for the purposes of the child
 2.14 care assistance programs under Minnesota Statutes, sections 119B.03 and 119B.05. This
 2.15 appropriation is ongoing and is added to the base.

2.16 (b) Of the amount appropriated in paragraph (a), \$..... is for the child care provider
 2.17 reimbursement rate increase under Minnesota Statutes, section 119B.13, subdivision 1,
 2.18 and \$..... is to provide assistance to additional families under Minnesota Statutes, section
 2.19 119B.03.

2.20 **ARTICLE 2**

2.21 **DEPENDENT CARE CREDIT**

2.22 Section 1. Minnesota Statutes 2014, section 290.067, subdivision 1, is amended to read:

2.23 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the
 2.24 tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the
 2.25 dependent care credit for which the taxpayer is eligible pursuant to the provisions of
 2.26 section 21 of the Internal Revenue Code ~~subject to the limitations provided in subdivision~~
 2.27 ~~2~~ except that in determining whether the child qualified as a dependent, income received
 2.28 as a Minnesota family investment program grant or allowance to or on behalf of the child
 2.29 must not be taken into account in determining whether the child received more than half
 2.30 of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of
 2.31 the Internal Revenue Code do not apply.

2.32 (b) If a child who has not attained the age of six years at the close of the taxable year
 2.33 is cared for at a licensed family day care home operated by the child's parent, the taxpayer
 2.34 is deemed to have paid employment-related expenses. If the child is 16 months old or

3.1 younger at the close of the taxable year, the amount of expenses deemed to have been paid
3.2 equals the maximum limit for one qualified individual under section 21(c) and (d) of the
3.3 Internal Revenue Code. If the child is older than 16 months of age but has not attained the
3.4 age of six years at the close of the taxable year, the amount of expenses deemed to have
3.5 been paid equals the amount the licensee would charge for the care of a child of the same
3.6 age for the same number of hours of care.

3.7 (c) If a married couple:

3.8 (1) has a child who has not attained the age of one year at the close of the taxable year;

3.9 (2) files a joint tax return for the taxable year; and

3.10 (3) does not participate in a dependent care assistance program as defined in section
3.11 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid
3.12 for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of
3.13 (i) the combined earned income of the couple or (ii) the amount of the maximum limit for
3.14 one qualified individual under section 21(c) and (d) of the Internal Revenue Code will
3.15 be deemed to be the employment related expense paid for that child. The earned income
3.16 limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed
3.17 amount. These deemed amounts apply regardless of whether any employment-related
3.18 expenses have been paid.

3.19 (d) If the taxpayer is not required and does not file a federal individual income tax
3.20 return for the tax year, no credit is allowed for any amount paid to any person unless:

3.21 (1) the name, address, and taxpayer identification number of the person are included
3.22 on the return claiming the credit; or

3.23 (2) if the person is an organization described in section 501(c)(3) of the Internal
3.24 Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code,
3.25 the name and address of the person are included on the return claiming the credit.

3.26 In the case of a failure to provide the information required under the preceding sentence,
3.27 the preceding sentence does not apply if it is shown that the taxpayer exercised due
3.28 diligence in attempting to provide the information required.

3.29 (e) In the case of a nonresident, part-year resident, or a person who has earned
3.30 income not subject to tax under this chapter including earned income excluded pursuant to
3.31 section 290.01, subdivision 19b, clause (9), the credit determined under section 21 of the
3.32 Internal Revenue Code must be allocated based on the ratio by which the earned income
3.33 of the claimant and the claimant's spouse from Minnesota sources bears to the total earned
3.34 income of the claimant and the claimant's spouse.

4.1 (f) For residents of Minnesota, the subtractions for military pay under section
4.2 290.01, subdivision 19b, clauses (10) and (11), are not considered "earned income not
4.3 subject to tax under this chapter."

4.4 (g) For residents of Minnesota, the exclusion of combat pay under section 112 of
4.5 the Internal Revenue Code is not considered "earned income not subject to tax under
4.6 this chapter."

4.7 (h) For taxpayers with federal adjusted gross income in excess of \$70,000, the
4.8 credit is equal to the lesser of the credit otherwise calculated under this subdivision or
4.9 the amount equal to \$600 minus five percent of federal adjusted gross income in excess
4.10 of \$70,000 for taxpayers with one qualified individual or \$1,200 minus five percent of
4.11 federal adjusted gross income in excess of \$70,000 for taxpayers with two or more
4.12 qualified individuals, but in no case is the credit less than zero.

4.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.14 December 31, 2014.

4.15 Sec. 2. **REPEALER.**

4.16 Minnesota Statutes 2014, section 290.067, subdivisions 2 and 2b, are repealed.

4.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.18 December 31, 2014.

APPENDIX
Article locations in 15-2513

ARTICLE 1 CHILD CARE ASSISTANCE Page.Ln 1.7
ARTICLE 2 DEPENDENT CARE CREDIT Page.Ln 2.20

290.067 DEPENDENT CARE CREDIT.

Subd. 2. **Limitations.** The credit for expenses incurred for the care of each dependent shall not exceed \$720 in any taxable year, and the total credit for all dependents of a claimant shall not exceed \$1,440 in a taxable year. The maximum total credit shall be reduced according to the amount of the income of the claimant and a spouse, if any, as follows:

income up to \$18,040, \$720 maximum for one dependent, \$1,440 for all dependents;
income over \$18,040, the maximum credit for one dependent shall be reduced by \$18 for every \$350 of additional income, \$36 for all dependents.

The commissioner shall construct and make available to taxpayers tables showing the amount of the credit at various levels of income and expenses. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transitions between expenses and income brackets.

Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 2 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.