

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 2004

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DATE
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1251 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; income; allowing individual and corporate credits for
1.3 employer-provided child care; proposing coding for new law in Minnesota Statutes,
1.4 chapter 290.

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

1.6 Section 1. **[290.0693] CREDIT FOR EMPLOYER-PROVIDED CHILD CARE.**

1.7 Subdivision 1. **Definitions.** (a) For purposes of this section the following terms have
1.8 the meanings given.

1.9 (b) "Child care facility" means a facility licensed by the Department of Human Services
1.10 as a child care center and located at the employer's place of business.

1.11 (c) "Employee" means individuals employed by an employer.

1.12 (d) "Employer" means one or more taxpayers who operate a business and either:

1.13 (1) jointly or severally own a child care facility for use by their employees; or

1.14 (2) pay for child care on behalf of their employees.

1.15 (e) "Employer-provided child care" means child care provided at a location convenient
1.16 to employees, including but not limited to the employer's place of business, whether offered
1.17 directly by the employer or through a contract with a licensed child care provider.

1.18 Subd. 2. **Employer credit for child care facility start-up costs.** (a) To the extent not
1.19 deducted as a business expense, an employer is allowed a credit against the tax due under
1.20 this chapter equal to ten percent of the cost of placing a child care facility in service. The
1.21 employer may claim the credit in the taxable year in which the facility is placed in service
1.22 and in each of the nine succeeding taxable years.

(b) The cost of placing a child care facility in service is limited to amounts the employer pays for land acquisition, improvements, buildings, building improvements, and construction, and the purchase of furniture, fixtures, and equipment for the child care facility.

(c) If an employer qualifies for a credit under this subdivision and the child care facility ceases operations within five years of being placed in service, the taxpayer must repay an amount equal to:

(1) the dollar amount of credits claimed for the facility; multiplied by

(2)(i) one; minus

(ii) the number of months the facility was in operation divided by 60.

(d) The credit repayment required under paragraph (c) does not apply if the employer ceases operations in the same taxable year in which the child care facility ceases operations.

Subd. 3. Employer credit for child care facility operational costs. To the extent not deducted as a business expense, an employer is allowed a credit against the tax due under this chapter equal to 75 percent of the cost of operating a child care facility, reduced by amounts employees and others pay for using the facility.

Subd. 4. Employer credit for child care paid on behalf of employees. To the extent not deducted as a business expense, an employer is allowed a credit against the tax due under this chapter equal to 50 percent of the payments made to one or more licensed child care providers for care provided to children of employees.

Subd. 5. Limitations and apportionment of credits. (a) The credits in subdivisions 2 and 3 are not allowed in any taxable year in which fewer than 50 percent of the children enrolled at the child care facility are children of employees.

(b) If the amount of credit determined under this section exceeds liability for tax under this chapter, the excess is a credit for carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph must not exceed the taxpayer's liability for tax less the credit under this subdivision for the taxable year.

(c) Credits granted to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their

3.1 organizational documents or any other executed agreement, as of the last day of the taxable
3.2 year.

3.3 (d) For a nonresident or part-year resident, the credit determined under this section must
3.4 be allocated based on the percentage calculated under section 290.06, subdivision 2c,
3.5 paragraph (e).

3.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.7 31, 2016.

3.8 Sec. 2. **PURPOSE STATEMENT; TAX EXPENDITURES.**

3.9 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under
3.10 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax
3.11 expenditure provide a purpose for the tax expenditure and a standard or goal against which
3.12 its effectiveness may be measured.

3.13 Subd. 2. **Credits for employer-provided child care.** The provisions of section 1 are
3.14 intended to provide incentives to employers to assist their employees in securing quality
3.15 and affordable child care for their children. The effectiveness of the credit is to be measured
3.16 by the number of employer-owned child care facilities for employees that are started or
3.17 expanded using the credit in section 1, subdivision 2, the number of children provided child
3.18 care by the facilities that are built by employers who claim the credits in section 1,
3.19 subdivisions 2 and 3, and the number of employers who claim the credit in section 1,
3.20 subdivision 4, and begin offering their employees subsidies for child care costs.