

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 244

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DATE	D-PG	OFFICIAL STATUS
01/22/2015	112	Introduction and first reading Referred to Taxes

1.1 A bill for an act
 1.2 relating to taxation; income and corporate franchise; establishing a tax credit for
 1.3 certain qualified child care expenses; appropriating money; proposing coding for
 1.4 new law in Minnesota Statutes, chapter 290.

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

1.6 Section 1. **[290.0693] SCHOOL READINESS TAX CREDIT.**

1.7 **Subdivision 1. Credit allowed for payments to a qualifying child care facility. (a)**

1.8 In addition to the credit allowed under section 290.067, an individual taxpayer is allowed
 1.9 a credit against the tax due in this chapter for a percentage of amounts paid to a child care
 1.10 facility on behalf of a child at the following rates, subject to the limitations in paragraph (b):

1.11 (1) for a child care facility with a quality rating of four stars as of December 31 of
 1.12 the calendar year in which the amounts are paid, 150 percent;

1.13 (2) for a child care facility with a quality rating of three stars as of December 31 of
 1.14 the calendar year in which the amounts are paid, 100 percent; and

1.15 (3) for a child care facility with a quality rating of two stars as of December 31 of
 1.16 the calendar year in which the amounts are paid, 50 percent.

1.17 (b) The credit allowed under paragraph (a) must not exceed \$1,050 for payments
 1.18 made on behalf of one child and must not exceed \$2,100 for payments made on behalf
 1.19 of two or more children.

1.20 (c) Taxpayers who make payments on behalf of multiple children must calculate the
 1.21 credit allowed under this subdivision for each child separately.

1.22 **Subd. 2. Credits allowed for business-supported provider services. (a) To**
 1.23 the extent not deducted as a business expense, an individual taxpayer or corporation is
 1.24 allowed a credit against the tax due in this chapter for a percentage of eligible business

2.1 child care expenses to a child care facility, or for a child care facility to which the expenses
2.2 are related, at the following rates:

2.3 (1) to or for a child care facility with a quality rating of four stars as of December 31
2.4 of the calendar year in which the amounts are paid, 15 percent;

2.5 (2) to or for a child care facility with a quality rating of three stars as of December
2.6 31 of the calendar year in which the amounts are paid, ten percent; and

2.7 (3) to or for a child care facility with a quality rating of two stars as of December 31
2.8 of the calendar year in which the amounts are paid, five percent.

2.9 Subd. 3. **Definitions.** For purposes of this section, the following definitions apply:

2.10 (a) "Child" or "children" means individuals up to and including five years of age.

2.11 (b) "Child care facility" means any entity with a quality rating of at least two stars
2.12 during the calendar year for which the credit under this section is claimed.

2.13 (c) "Eligible business child care expenses" means the total of the following expenses,
2.14 for the year in which the expenses are incurred:

2.15 (1) payments for the construction, renovation, expansion, or major repair of a child
2.16 care facility, the purchase of equipment for a child care facility, or for the maintenance and
2.17 operation of a child care facility, not to exceed \$50,000;

2.18 (2) payments made to an eligible child care facility on behalf of the taxpayer's
2.19 employees, not to exceed \$5,000 per child; and

2.20 (3) payments for the purchase of child care slots at eligible child care facilities actually
2.21 provided or reserved for children of the taxpayer's employees, not to exceed \$50,000.

2.22 (d) "Quality rating" means the rating awarded to a child care facility by the
2.23 Department of Human Services pursuant to section 124D.142.

2.24 Subd. 4. **Required documentation.** A taxpayer claiming the credit under this section
2.25 must provide documentation of eligibility for the credit in a form and manner prescribed
2.26 by the commissioner of revenue, in consultation with the commissioner of human services.

2.27 Subd. 5. **Allocation for nonresidents and part-year residents.** For a nonresident
2.28 or part-year resident, the credit determined under this section must be allocated based on
2.29 the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

2.30 Subd. 6. **Credit refundable; carryforward provisions.** For taxpayers with income,
2.31 as defined under section 290.067, subdivision 2a, of \$25,750 or less, if the amount of total
2.32 credits that the claimant is eligible to receive under this section exceeds the claimant's tax
2.33 liability under this chapter, the commissioner of revenue must refund the excess to the
2.34 claimant. For all other taxpayers claiming a credit under this section, if the amount of total
2.35 credits that the claimant is eligible to receive under this section exceeds the claimant's tax
2.36 liability under this chapter, the excess may be carried forward for up to five years.

3.1 Subd. 7. **Inflation adjustment.** The commissioner shall adjust the \$25,750 in
3.2 subdivision 7 by the percentage determined pursuant to the provisions of section 1(f) of
3.3 the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" shall be
3.4 substituted for the word "1992." For 2016, the commissioner shall then determine the
3.5 percent change from the 12 months ending on August 31, 2014, to the 12 months ending on
3.6 August 31, 2015, and in each subsequent year, from the 12 months ending on August 31,
3.7 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The
3.8 determination of the commissioner pursuant to this subdivision shall not be considered a
3.9 "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

3.10 Subd. 8. **Appropriation.** An amount sufficient to pay the refunds authorized under
3.11 this section is appropriated to the commissioner of revenue from the general fund.

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