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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. **1701**

02/25/2019 Authored by Pinto
The bill was read for the first time and referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to human services; modifying day care initial licensure requirement;
1.3 directing commissioner of human services to implement a child care provider
1.4 communication process, develop a plain-language handbook, and develop a uniform
1.5 family day care provider application; modifying child care tax credits; requiring
1.6 a report; appropriating money; amending Minnesota Statutes 2018, sections
1.7 245A.04, by adding subdivisions; 290.067, subdivision 1; repealing Minnesota
1.8 Rules, part 9502.0335, subpart 5.

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

1.10 Section 1. Minnesota Statutes 2018, section 245A.04, is amended by adding a subdivision
1.11 to read:

1.12 Subd. 17. **Initial license.** Even if all laws and rules cannot be met immediately, an
1.13 applicant for initial licensure to operate a family or group family day care residence must
1.14 be granted a license by the department for up to two years if the deviations from Minnesota
1.15 Rules, chapter 9502, do not threaten the health, rights, or safety of the children, and the
1.16 deviations will be corrected within the time specified by the commissioner but not to exceed
1.17 two years. Failure to correct deviations within the stated time shall be cause for revocation,
1.18 suspension, or nonrenewal.

1.19 Sec. 2. Minnesota Statutes 2018, section 245A.04, is amended by adding a subdivision to
1.20 read:

1.21 Subd. 18. **Plain-language handbook.** The commissioner of human services shall develop
1.22 a plain-language handbook that describes the process and requirements to become a licensed
1.23 family day care provider. The commissioner shall electronically publish the handbook on
1.24 the department's website, available at no charge to the public. Each county human services

2.1 office and the Department of Human Services shall maintain physical copies of the handbook
2.2 for public use.

2.3 Sec. 3. Minnesota Statutes 2018, section 290.067, subdivision 1, is amended to read:

2.4 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax
2.5 due from the taxpayer and a spouse, if any, under this chapter an amount equal to the
2.6 dependent care credit for which the taxpayer is eligible pursuant to the provisions of section
2.7 21 of the Internal Revenue Code except that in determining whether the child qualified as
2.8 a dependent, income received as a Minnesota family investment program grant or allowance
2.9 to or on behalf of the child must not be taken into account in determining whether the child
2.10 received more than half of the child's support from the taxpayer.

2.11 (b) If a child who has not attained the age of six years at the close of the taxable year is
2.12 cared for at a licensed family day care home operated by the child's parent, the taxpayer is
2.13 deemed to have paid employment-related expenses. If the child is 16 months old or younger
2.14 at the close of the taxable year, the amount of expenses deemed to have been paid equals
2.15 the maximum limit for one qualified individual under section 21(c) and (d) of the Internal
2.16 Revenue Code. If the child is older than 16 months of age but has not attained the age of
2.17 six years at the close of the taxable year, the amount of expenses deemed to have been paid
2.18 equals the amount the licensee would charge for the care of a child of the same age for the
2.19 same number of hours of care.

2.20 (c) If a married couple:

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

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

2.23 (3) does not participate in a dependent care assistance program as defined in section 129
2.24 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for
2.25 that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)
2.26 the combined earned income of the couple or (ii) the amount of the maximum limit for one
2.27 qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed
2.28 to be the employment related expense paid for that child. The earned income limitation of
2.29 section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These
2.30 deemed amounts apply regardless of whether any employment-related expenses have been
2.31 paid.

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

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

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

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

3.9 (e) In the case of a nonresident, part-year resident, or a person who has earned income
 3.10 not subject to tax under this chapter including earned income excluded pursuant to section
 3.11 290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue
 3.12 Code must be allocated based on the ratio by which the earned income of the claimant and
 3.13 the claimant's spouse from Minnesota sources bears to the total earned income of the claimant
 3.14 and the claimant's spouse.

3.15 (f) For residents of Minnesota, the subtractions for military pay under section 290.0132,
 3.16 subdivisions 11 and 12, are not considered "earned income not subject to tax under this
 3.17 chapter."

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

3.21 (h) For taxpayers with federal adjusted gross income in excess of ~~\$50,000~~ \$75,000, the
 3.22 credit is equal to the lesser of the credit otherwise calculated under this subdivision, or the
 3.23 amount equal to \$600 minus ~~five~~ 2.4 percent of federal adjusted gross income in excess of
 3.24 ~~\$50,000~~ \$75,000 for taxpayers with one qualified individual, or \$1,200 minus ~~five~~ 3.2
 3.25 percent of federal adjusted gross income in excess of ~~\$50,000~~ \$75,000 for taxpayers with
 3.26 two or more qualified individuals, but in no case is the credit less than zero.

3.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 3.28 31, 2018.

3.29 **Sec. 4. DIRECTION TO COMMISSIONER; UNIFORM FAMILY DAY CARE**
 3.30 **PROVIDER APPLICATION.**

3.31 The commissioner of human services shall develop a single, uniform application for an
 3.32 individual seeking to become a family day care provider in the state. Once developed, the
 3.33 uniform application must be used in each county of the state. The commissioner shall prepare

4.1 any legislation necessary to fully implement the uniform application for the 2020 legislative
 4.2 session.

4.3 **Sec. 5. DIRECTION TO COMMISSIONER; CHILD CARE PROVIDER**
 4.4 **COMMUNICATION PROCESS.**

4.5 (a) The commissioner of human services shall establish a confidential, anonymous
 4.6 communication process for child care providers to ask licensing and background study
 4.7 related questions and receive prompt, clear answers from the Department of Human Services.

4.8 (b) By February 1, 2020, the commissioner must submit a progress report on the child
 4.9 care provider communication process under this section to the chairs and ranking minority
 4.10 members of the legislative committees with jurisdiction over child care.

4.11 **Sec. 6. APPROPRIATION; CHILD CARE PROVIDER GRANTS.**

4.12 Subdivision 1. Appropriation. \$..... in fiscal year 2020 is appropriated from the general
 4.13 fund to the commissioner of employment and economic development for grants to local
 4.14 communities to increase the supply of quality child care providers in order to support
 4.15 economic development. This appropriation does not cancel but is available in the second
 4.16 year.

4.17 Subd. 2. Use of funds. Grant funds available under this section must be used to implement
 4.18 solutions to reduce the child care shortage in the state including but not limited to funding
 4.19 for child care business start-ups or expansions, training, facility modifications or
 4.20 improvements required for licensing, and assistance with licensing and other regulatory
 4.21 requirements.

4.22 Subd. 3. Grant requirements. At least 60 percent of grant funds must go to communities
 4.23 located outside of the seven-county metropolitan area, as defined under Minnesota Statutes,
 4.24 section 473.121, subdivision 2. Grant recipients must obtain a 50 percent nonstate match
 4.25 to grant funds in either cash or in-kind contributions. In awarding grants, the commissioner
 4.26 must give priority to communities that have documented a shortage of child care providers
 4.27 in the area.

4.28 **Sec. 7. REVISOR'S INSTRUCTION.**

4.29 The revisor of statutes, in consultation with the House Research Department, Office of
 4.30 Senate Counsel, Research and Fiscal Analysis, and Department of Human Services, shall
 4.31 prepare legislation for the 2020 legislative session to: (1) recodify Minnesota Statutes,

5.1 chapter 245A; and (2) repeal and enact as statutes the rules governing day care facility
5.2 licensing in Minnesota Rules, chapter 9502.

5.3 Sec. 8. **REPEALER.**

5.4 Minnesota Rules, part 9502.0335, subpart 5, is repealed.

9502.0335 LICENSING PROCESS.

Subp. 5. **Initial license.** An applicant for initial licensure may be granted a license by the department for up to two years if all laws and rules cannot be met immediately, the deviations from parts 9502.0315 to 9502.0445 do not threaten the health, rights, or safety of the children, and which will be corrected within the time specified by the commissioner but not to exceed two years. Failure to correct deviations within the stated time shall be cause for revocation, suspension, or nonrenewal.