

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 1669

(SENATE AUTHORS: FRANZEN)

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983 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to taxation; individual income and corporate franchise; establishing a

1.3 refundable tax credit for certain qualified child care expenses and professionals;

1.4 proposing coding for 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) In

1.8 addition to the credit allowed under section 290.067, an individual taxpayer is allowed a

1.9 credit against the tax due under this chapter equal to a percentage of amounts paid to a child

1.10 care facility on behalf of a dependent child, subject to the limitations in paragraph (c).

1.11 (b) The credit under paragraph (a) equals:

1.12 (1) for a child care facility with a quality rating of four stars as of December 31 of the

1.13 calendar year in which the amounts are paid, 150 percent of amounts paid to a child care

1.14 facility on behalf of a dependent child;

1.15 (2) for a child care facility with a quality rating of three stars as of December 31 of the

1.16 calendar year in which the amounts are paid, 100 percent of amounts paid to a child care

1.17 facility on behalf of a dependent child;

1.18 (3) for a child care facility with a quality rating of two stars as of December 31 of the

1.19 calendar year in which the amounts are paid, 50 percent of amounts paid to a child care

1.20 facility on behalf of a dependent child; and

(4) for a child care facility with a quality rating of one star as of December 31 of the calendar year in which the amounts are paid, 25 percent of amounts paid to a child care facility on behalf of a dependent child.

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

Subd. 2. Credit allowed for business-supported provider services. (a) To the extent not deducted as a business expense, an individual taxpayer or corporation is allowed a credit against the tax due under this chapter equal to a percentage of eligible business child care expenses to a child care facility, or for a child care facility to which the expenses are related.

(b) The credit under paragraph (a) equals:

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

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

(3) five percent of eligible business child care expenses to or for a child care facility with a quality rating of two stars as of December 31 of the calendar year in which the amounts are paid; and

(4) percent of eligible business child care expenses to or for a child care facility with a quality rating of one star as of December 31 of the calendar year in which the amounts are paid.

Subd. 3. Credit allowed for child care professionals. (a) An individual taxpayer who qualifies as a child care professional is allowed a credit against the tax due in this chapter, subject to the limitations in paragraph (b). An individual claiming the credit under this subdivision may only claim a credit for employment at one child care facility for the taxable year.

(b) The credit under paragraph (a) equals:

(1) \$..... for a child care professional with a career lattice step level of six or seven as of December 31 of the taxable year in which the credit is claimed;

3.1 (2) \$..... for a child care professional with a career lattice step level of eight or nine as
3.2 of December 31 of the taxable year in which the credit is claimed; and

3.3 (3) \$..... for a child care professional with a career lattice step level of ten as of December
3.4 31 of the taxable year in which the credit is claimed.

3.5 Subd. 4. **Credit allowed for contributions to REETAIN.** To the extent not deducted
3.6 as a business expense or charitable contribution for either federal or Minnesota income tax
3.7 purposes, an individual taxpayer or corporation is allowed a credit against the tax due under
3.8 this chapter equal to percent of the amount contributed to the REETAIN program, up
3.9 to \$.....

3.10 Subd. 5. **Definitions.** (a) For purposes of this section, the following terms have the
3.11 meanings given them.

3.12 (b) "Career lattice step" means the qualification level assigned to develop Minnesota's
3.13 professional development registry for child care professionals.

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

3.15 (d) "Child care facility" means any entity with a quality rating of at least one star during
3.16 the calendar year for which the credit under this section is claimed.

3.17 (e) "Child care professional" means an individual who has:

3.18 (1) obtained a career lattice step level of six or greater on the Develop MN childhood
3.19 workforce professional registry; and

3.20 (2) been employed at a child care facility for months of the taxable year in which
3.21 the credit is claimed.

3.22 (f) "Eligible business child care expenses" means the total of the following expenses,
3.23 for the year in which the expenses are incurred:

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

3.27 (2) payments made to a child care facility on behalf of the taxpayer's employees, not to
3.28 exceed \$5,000 per child; and

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

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

4.3 (h) "REETAIN" means the retaining early educators through attaining incentives now
4.4 program administered under Child Care Aware of Minnesota.

4.5 Subd. 6. **Required documentation.** A taxpayer claiming a credit under this section must
4.6 provide documentation of eligibility for the credit in a form and manner prescribed by the
4.7 commissioner, in consultation with the commissioner of human services.

4.8 Subd. 7. **Allocation for nonresidents and part-year residents.** For a nonresident or
4.9 part-year resident, the credit determined under this section must be allocated based on the
4.10 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

4.11 Subd. 8. **Credit refundable; carryforward provisions.** (a) For individual taxpayers
4.12 with income, as defined under section 290.067, subdivision 2a, of \$39,510 or less, if the
4.13 amount of total credits that the claimant is eligible to receive under this section exceeds the
4.14 claimant's tax liability under this chapter, the commissioner must refund the excess to the
4.15 claimant.

4.16 (b) For all other taxpayers claiming a credit under this section, if the amount of total
4.17 credits that the claimant is eligible to receive under this section exceeds the claimant's tax
4.18 liability under this chapter, the excess is a credit carryforward for up to five years. The entire
4.19 amount of the carryforward is carried over to the earliest tax year to which the carryforward
4.20 may be carried, and then to each succeeding year to which the carryforward may be carried.

4.21 Subd. 9. **Partnerships; multiple owners.** (a) Credits allowed under subdivision 2 to a
4.22 partnership, limited liability company taxed as a partnership, corporation, or multiple owners
4.23 of property are passed through to the partners, members, shareholders, or owners,
4.24 respectively, pro rata to each partner, member, shareholder, or owner based on that person's
4.25 share of the entity's income for the taxable year.

4.26 (b) For a corporation that is a partner in a partnership, the credit allowed for the taxable
4.27 year is limited to the lesser of the amount determined under subdivision 7, paragraph (b),
4.28 for the taxable year or an amount, separately computed with respect to the corporation's
4.29 interest in the trade, business, or entity, equal to the amount of tax attributable to that portion
4.30 of taxable income that is allocable or apportionable to the corporation's interest in the trade,
4.31 business, or entity.

4.32 Subd. 10. **Inflation adjustment.** The commissioner shall adjust the \$39,510 in
4.33 subdivision 8 by the percentage determined pursuant to the provisions of section 1(f) of the

5.1 Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" shall be substituted
5.2 for the word "1992." For 2018, the commissioner shall then determine the percentage change
5.3 from the 12 months ending on August 31, 2016, to the 12 months ending on August 31,
5.4 2017, and in each subsequent year, from the 12 months ending on August 31, 2014, to the
5.5 12 months ending on August 31 of the year preceding the taxable year. The determination
5.6 of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall
5.7 not be subject to the Administrative Procedure Act contained in chapter 14.

5.8 Subd. 11. **Appropriation.** An amount sufficient to pay the refunds authorized under
5.9 this section is appropriated to the commissioner of revenue from the general fund.

5.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.11 31, 2016.