National Child Care Information Center

A service of the Child Care Bureau

NCCIC

243 Church Street NW, 2nd Floor
Vienna, Virginia 22180
Phone: (800) 616-2242 Fax: (800) 716-2242 TTY: (800) 516-2242
World Wide Web: http://nccic.org

TAX INCENTIVES for EMPLOYERS to SUPPORT CHILD CARE

The following is a sample of information about tax incentives or credits to encourage employers to support child care for their employees.

Federal Tax Law

■ **Internal Revenue Service (IRS)**
800-TAX-1040 (829-1040)
World Wide Web: http://www.irs.gov

The IRS is the nation's tax collection agency and administers the Internal Revenue Code enacted by Congress. The Economic Growth and Tax Relief Reconciliation Act of 2001 created a Federal employer tax credit for certain child care expenses beginning in 2002. Employers can receive a credit of 25 percent of their spending on the construction or rehabilitation of a child care facility or on contracts with a third-party child care facility to provide child care services to employees. In addition, employers can receive a credit of 10 percent of their spending on resource and referral services for employees. The total credit cannot exceed $150,000 annually. Information about how to contact a local office of the IRS is available on the Web at http://www.irs.gov/localcontacts/index.html.

State Initiatives

■ *State or Commonwealth Tax/Revenue Home Pages*, compiled by the Small Business Administration, links to the Tax/Revenue Home Pages of the individual States. This resource is available on the Web at http://www.sba.gov/hotlist/statetaxhomepages.html.

■ NCCIC examination of the *Child Care and Development Fund (CCDF) State Plans for the Period 10/01/01 to 9/30/03* reveals the following information about State initiatives to provide child care tax incentives to employers:

> ***Section 2.3***
> ***Public-Private Partnerships***
> *Describe the activities, including planned activities, to encourage public-private partnerships which promote private-sector involvement in meeting child care needs.*
>
> **Georgia**
> The Georgia Child Care Council has responsibility to promote public-private sector collaboration on child care issues. They encourage partnerships by:

- Promoting the State's new corporate tax credit provisions that allow companies to take 75% of their investment in employer-sponsored care as a tax credit; the provision also allows 100% of their investment in construction of on-site facilities as a tax credit.

Rhode Island

Rhode Island Department of Human Services (DHS) partners with the Greater Providence Chamber of Commerce in funding Options for Working Parents, Rhode Island's centralized resource and referral program for working families and businesses. DHS "specifies" responsibility to encourage and catalyze participation of the business community in general and employers of low income working families in particular in meeting the child care needs of working families as part of the Options contract. In order to meet that responsibility, Options for Working Parents:

- Maintains accurate data on the availability of tax credits for Rhode Island businesses providing child care amenities and works with interested employers to provide information, guidance and possible options to help their employees meet child care needs.

Texas

Employer Child Care Tax Credit

The State of Texas has instituted a franchise tax credit for the lesser of $50,000 or 50% of a corporation's qualifying expenditures for the establishment and operation of a day care center and/or the purchase of child care services for its employees. A similar franchise tax credit has also been instituted for 30% of a corporation's qualifying expenditures on "school-aged child care" in Texas.

For additional information, contact NCCIC at 800-616-2242 or e-mail info@nccic.org.

Arkansas

■ "Tax Incentives/Credits for Corporate Related Child Care Options: Issues Brief" in *Arkansas Corporate Champions for Children Initiative* (April 2000), by the Arkansas Department of Human Services, Division of Child Care and Early Childhood Education, discusses what is available in Arkansas and reasons for the underuse of the employer tax credit. It states:

> Employer Tax Credit - Act 820 of 1993, designated and exempted from State tax, corporations which build and equip an approved child care center. Construction materials and furnishings purchased for use in the initial construction and equipping of a child care center for the exclusive purpose of providing child care to the employees will be subject to the exemption. A business which qualifies for the exemption from the Gross Receipts Tax shall be allowed an income tax credit of 3.9 percent of the annual salary of employees employed exclusively in providing child care services. Act 850 of 1995 allowed companies to operate or

> contract the operation and further allowed two or more companies to participate in a single child care program (page 31).

This document is available on the Web at http://www.state.ar.us/childcare/arkchamp.PDF.

California

■ "Employer-Provided Child Care Expenses" (February 1999) in *California's Tax Expenditure Programs Income Tax Programs—Part 4*, prepared by the California Legislative Analyst's Office, states:

> The Personal Income Tax (PIT) and Bank and Corporation Tax (BCT) provide employers several tax credits for child care assistance programs. These tax credit programs allow employers to deduct the costs of certain contributions toward employee child care expenses incurred between January 1, 1988 and January 1, 2003. Specifically, employers may deduct:
>
> - Thirty percent of the startup costs of establishing a child care program, the costs of constructing a child care facility, and/or the costs of child care referral services, up to $50,000 per tax year.
>
> - Thirty percent of the cost of contributions to a qualified child care plan. A qualified care plan may include onsite or offsite child care centers, in-home care, and specialized centers which provide care for children with short-term illnesses. Qualifying contributions may not exceed $360 per qualified dependent per tax year. In order to qualify for the tax credit, these costs must be associated with programs primarily used by children of the taxpayer's employees who are under the age of 15. To the extent that the credit amounts exceed a taxpayer's net tax liability in the year the expenses are incurred, they may be carried forward and used to offset the taxpayer's liability in future years, but not by more than $50,000 in any one tax year.

This resource is available on the Web at http://www.lao.ca.gov/tax_expenditure_299/tep_299_incometax4.html#_1_10.

Colorado

Final Adoption: Child Care Contribution Income Tax Credit (April 1999), by the Colorado Department of Revenue, has the following information about tax credits for child care contributions:

> Computation of the credit.
>
> Any taxpayer that makes a monetary or in-kind contribution to promote child care in Colorado may claim an income tax credit of up to 25 percent of the total value of the contribution.

> Credit for in-kind contributions are allowed at one-half the rate that would have been allowed for a monetary contribution of the same value. Thus where a 25% cash contribution credit would have been allowed, an in-kind contribution will create a credit of 12 ½% of the value of the contribution.
>
> Combined cash and in-kind contributions will generate credits at rates ranging from the cash credit to the in-kind credit rate depending on the proportions of the components. The credit will be the smaller of: (A) 100% of the cash contribution plus 12½% of the total value of the combined contribution; or (B) 25% of the total value of the combined contribution.

This resource is available on the Web at http://www.revenue.state.co.us/TPS_dir/childcarereg98f.html.

Connecticut

■ *2001 Form CT:1120: Connecticut Corporation Business Tax Return and Instructions* (2002), by the Connecticut Department of Revenue Services, has the following information about child care related tax credits:

> Human Capital Investment Credit
> A credit is available for amounts paid or incurred for certain types of human capital investments such as in-state job training and work education of persons employed in Connecticut; certain donations or capital contributions to institutions of higher learning in Connecticut; planning, site preparation, construction, renovation, or acquisition of day care facilities in Connecticut; child care subsidies paid to employees employed in Connecticut; or contributions made to the Individual Development Account Reserve Fund as defined in Conn. Gen. Stat. §31-55ww. (Conn. Gen. Stat. §12-217x) (page 19).

This resource is available on the Web at *http://vvv.drs.state.ct.us/formlib/2001/Corporation/01-1120wforms.pdf*. For details about the Human Capital Investment Credit for Corporations, contact the Connecticut Department of Revenue Services at 860-297-5962.

Florida

■ "State Benefits: Corporate Income/Child Care Tax Credit" in *Child Care Executive Partnership*, sponsored by Child Care of Southwest Florida, Inc., has the following information about the Corporate Income/Child Care Tax Credit:

> This program provides for corporations to receive a tax credit for the creation or operation of child care facilities or for payments made to a child care center on behalf of an employee. For company-operated facilities, the tax credit is 50 percent of start-up costs, not to exceed $50,000 annually and $50 per month for each child enrolled. For corporate payments to facilities, the credit is 50 percent of the payment not to exceed $50,000 annually.

This information is available on the Web at *http://www.ccswfl.org/sponsors.htm*. For additional information, contact Child Care of Southwest Florida at 888-290-4114 or on the Web at *http://www.ccswfl.org/index.html.*

Georgia

■ *Georgia Administrative Rules: Income Tax Division, Rules of Department Revenue*, "Returns and Collections" "Chapter 560-7-8-.38, Child Care Credit, Definitions and Description." by the Georgia Department of Revenue, Income Tax Division, describes the following child care tax credits for employers:

> (2) Tax Credit for Cost of Operation.
> The credit to be claimed pursuant to Official Code of Georgia (O.C.G.A.) Section 48-7-40.6(b) is a tax credit against the Georgia income tax and it shall be granted to an employer who makes available employer provided or employer sponsored child care for employees of such employer.
>
> (3) Tax Credit for Cost of Qualified Child Care Property
> The tax credit for the cost of qualified child care property, pursuant to O.C.G.A. Section 48-7-40.6.(d) is a credit against the tax imposed under Article 2 of Chapter 7 O.C.G.A. which may be claimed for the taxable year in which the taxpayer first places in service qualified child care property and for each of the next succeeding nine taxable years. The aggregate amount of the credit shall equal 100 percent of the cost of all qualified child care property purchased or acquired by the taxpayer and first placed in service during a taxable year and such credit may be claimed at a rate of l0 percent per year for the ten year period.
>
> (a) Limitation. The amount of the credit granted to any taxpayer employer may not exceed 50 percent of the employer's Georgia income tax liability for the taxable year as computed without regard to the application of any other credit including the tax credit for cost of operation provided for in Paragraph (2) of this Regulation.

This resource is available on the Web at http://www2.state.ga.us/departments/dor/inctax/childcare5607838.shtml. For additional information, contact the Georgia Department of Revenue at 404-656-4171. Additional information is available from the Georgia Child Care Council at 404-679-4880 or on the Web at http://www.state.ga.us/gccc/index.html.

Maine

■ *Tax Credits: Quality Child Care Investment Credits* (January 8, 2002), from the Maine Office of the Revisor of Statutes, has the following information about tax credits for investment in child care:

> Certification. Upon application by an investor, the Department of Human Services, Office of Head Start and Child Care shall certify if an investment in a child care site contributed significantly toward the ability of the child care site to

improve its level of child care services toward the goal of providing quality child care services. The department shall send a list of taxpayers making certified investments in the previous year to the State Tax Assessor by February 1st annually.

Credit allowed. A taxpayer that has made an investment in child care services certified under subsection 1-A during the tax year is allowed a credit against the tax imposed by this Part in an amount equal to the qualifying portion of expenditures paid or expenses incurred by the taxpayer for certified investments in child care services as calculated pursuant to subsection 3.

Qualifying portion. For purposes of calculating the credit provided by this section, the qualifying portion is:

A. For a corporation, 30% of up to $30,000 of expenditures, apportioned if part of an affiliated group engaged in a unitary business; and

B. For an individual taxpayer, if the taxpayer expends at least $10,000 in one year, $1,000 each year for 10 years and $10,000 at the end of the 10-year period.

Limitation: carry-over. The credit provided by this section may not reduce the tax otherwise due under this Part below zero. Any unused portion of the credit may be carried over to the following year or years until exhausted.

This resource is available on the Web at http://janus.state.me.us/legis/statutes/36/title36sec5219-Q.html.

Ohio

■ The nonrefundable tax credit equal to the lesser of $100,000, or 50 percent of the amount spent to offer subsidized licensed child care arrangements to employees expired at the end of 2003. The credit covered items such as equipment, supplies, labor real property, including renovation of real property, used exclusively to establish a child daycare center. However, the unused amount of the credit from 2003 or earlier may be carried forward for up to 5 years (OH Rev. Code Sec. 5733.37). This information is available on the Web at http://hr2.blr.com/Article.cfm/Nav/3.45.39.2.23257.23257/PrintPage/O. For additional information, contact the Ohio Department of Job and Family Services, Child Day Care Licensing at 614-466-6282.

Oregon

■ "Tax Benefits for Oregon Employers Investing in Child Care" (January 2003) in *Employer-Supported Child Care in Oregon: A Tool Kit*, by the Oregon Child Care Information Partnership, discusses Federal and State tax incentives to offset the cost of employer sponsored child care, and suggests strategies for combining the two. This chapter is available on the Web at http://www.oregonemployersofchoice.org/pdf/section_2.pdf. The complete toolkit is available on the Web at http://www.oregonemployersofchoice.org/toolkit.html.

For additional information, contact the Oregon Child Care Resource and Referral Network at 800-342-6712 or on the Web at http://www.emp.state.or.us/childcare.

Pennsylvania

■ The Office of Children, Youth and Families of the Pennsylvania Department of Public Welfare provides a Web page with "Resources for the Business Community." This site includes information about how employers can help their employees with child care related issues. It states:

> Tax benefits are available for companies to establish and maintain quality child care programs. To receive a detailed description of these programs, call the Customer Service Center at the Pennsylvania Department of Community and Economic Development (800-379-7448). We'll send you a Child Care Action packet that will help you address your employees' child care needs, link you to child care providers and give you an overview of company tax incentives.

This information is available on the Web at http://www.dpw.state.pa.us/ocyf/childcarewks/ccwresforbus.asp.

Rhode Island

■ *Information for Employers: Rhode Island Child Care Tax Credit*, by the Rhode Island Department of Human Services (DHS) Employment and Retention Services Unit, has the following information about an employer child care tax credit:

> This credit is available to business providing on-site child care or purchasing off-site care for employees' children. The credit equals 30% of employer expenditures for child care including on-site facility operation costs, and off-site service purchasing costs up to a maximum total credit of $30,000.

This resource is available on the Web at http://www.dhs.state.ri.us/dhs/dbusinfo.htm#RI%20Child%20Care%20Tax%20Credit. For additional information, call Options for Working Parents at 401-621-6113 or the Rhode Island Department of Taxation, Taxpayer Research Assistance, at 401-222-6262.

Texas

■ "Franchise Tax Credits for Child-Care Programs" (December 2000), in *Window on State Government: Texas Taxes*, describes the child care franchise tax credits as follows:

> The Legislature created two franchise tax credits related to day-care and after-school-care programs. Eligible corporations may take advantage of these credits for qualifying expenditures made in Texas on or after January 1, 2000. Franchise Tax Rule 3.579 addresses these credits.
>
> Credit for Qualifying Expenditures for Day Care

To be eligible for a day-care credit, a corporation must make certain qualifying expenditures for child-care in Texas during the period upon which the tax is based.

Qualifying expenditures include amounts paid to establish or operate a day-care center primarily to provide care for the children of employees of the corporation or of the corporation and one or more other entities sharing the costs of establishing and operating the center. Qualifying expenditures also include amounts paid to purchase child-care services provided to the children of the corporation's employees at a day-care center or a family home registered with the Department of Protective and Regulatory Services under Chapter 42, Human Resources Code.

Amount of Credit
The credit is the lesser of $50,000 or 50 percent of qualifying expenditures.

This information is available on the Web at http://www.window.state.tx.us/taxinfo/taxpubs/tx96_766.html. For additional information, contact the Texas Comptroller of Public Accounts at 800-252-1381.

Additional Publications

■ *Earned Income Tax Credit (EITC) Tool Kit* (December 2003), by Corporate Voices for Working Families, is an employer's guide to promoting the Earned Income Tax Credit. The toolkit includes components for branding, printing, and distribution including a calendar, flip cards, a flyer, a poster, a poster pad, and stickers. This resource is available on the Web at http://www.cvworkingfamilies.org/toolkits/eitc/index.html.

■ "Financing" (May 2003) in *Child Care Newsletter: A Quarterly Report on Financing, Quality of Early Care and Education Issues* Vol. 2, No. 3, by the National Conference of State Legislatures (NCSL), has information about State efforts to finance early childhood services through tax credits and other incentives. This resource is available on the Web at http://ncsl.org/programs/cyf/may03news.pdf.

■ *Child Care Financing Matrix* (April 2003), compiled by Louise Stoney, Alliance for Early Childhood Finance, and Karen Edwards, Policy Research Services, gives examples of financing mechanisms from new public revenue, existing revenue, the private sector, public-private partnerships, and for child care facilities. This resource is available on the Web at http://www.nccic.org/pubs/ccfinancingmatrix.html#1.

■ *Using Tax Credits to Finance Early Care and Education* (January 2003), by Smart Start National Technical Assistance Center, describes the use of tax credits to finance early care and education. Tax-based approaches can offer tax breaks for investment in early childhood education. Innovative examples of tax-based financing are presented from Colorado, Oregon, and New York. This resource is available on the Web at http://smartnet.smartstart-nc.org/national/financing/taxbrief.doc.

■ "Financing" (December 2002) in *Child Care Newsletter: A Quarterly Report on Financing, Quality of Early Care and Education Issues* Vol. 2, No. 2, by the National Conference of State Legislatures (NCSL), has information about State efforts to finance early childhood services. This resource is available on the Web at http://www.ncsl.org/programs/cyf/nov02news.pdf.

■ *The Little Engine that Hasn't: The Poor Performance Of Employer Tax Credits For Child Care* (November 2002), by Christina Smith FitzPatrick and Nancy Duff Campbell, for the National Women's Law Center (NWLC), looks at the existing data on employer tax credits for child care, assesses the effect these credits have had so far, and analyzes the reasons for the impact or lack of impact they have had. States with available data include Arizona, Arkansas, California, Connecticut, Florida, Georgia, Illinois, Kansas, Maine, Maryland, Mississippi, Montana, New Mexico, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, and Virginia. The report states:

> This report examines the 20 state tax credits for which data are available. In 16 of these states, five or fewer corporations claimed the credit, out of tens of thousands of corporations that filed state tax returns. In five of these 16 states, not one corporation claimed the credit. Even in the few states with higher numbers of claimants (e.g., as many as 164 in California, 21 in Oregon, 20 in Connecticut), the numbers represent only a tiny fraction of the state's total number of corporate filers. In terms of the amount of money states have expended through the credits, both total and per claimant, the picture is equally bleak. In 13 of the 18 states in which these data are available, the state spent less than $150,000 in forgone corporate tax revenue, statewide, in the year studied. Only four states spent more than $20,000 per claimant (page 5).

"Appendix B: Summary of the Provisions of the 20 Employer Tax Credits for Child Care Analyzed in this Report" has notes on the following topics: Start-up/Construction Costs; Operating Costs; Purchasing Costs; Costs of Subsidies and Vouchers; Resource and Referral Costs; Costs for Care for Particular Employees; and Limits on Size of Credits.
This resource is available on the Web at http://www.nwlc.org/pdf/TheLittleEngine2002.pdf.

■ "Federal and State Tax Policy" (October 2002) in *Universal Preschool: Much to Gain but Who Will Pay*, by Scott Scrivner and Barbara Wolfe, Foundation for Child Development, discusses a variety of tax mechanisms States use to fund their pre-kindergarten programs. This resource is available on the Web at This resource is available on the Web at http://www.ffcd.org/pdfs/wolfe.pdf.

■ *Investing in Our Future: A Guide to Child Care Financing* (June 2002), by Louise Stoney, Scott Groginsky, and Julie Poppe, for the National Conference of State Legislatures (NCSL), suggests several principles to help guide States as they make decisions about directing funding streams, building service delivery linkages, setting standards, and other important financing issues. In addition, it offers a range of financing options that have been implemented in States and communities across the country. In discussing employer tax credits, it states:

The experiences of two states—**Colorado** and **Georgia**—suggest that tax credits might be a successful way to encourage private sector investment in child care if the benefits are large enough and/or credit is expanded to include contributions made by all taxpayers, not only employers (page 18).

Employer tax credits are designed to encourage businesses to invest in child care on behalf of their own employees. However, legislators also can develop tax policy that encourages investment in the child care industry as a whole. In 2001, the **Oregon** legislature took this approach when it enacted the Pilot Corporate Child Care Tax Credit, a new initiative modeled after the success of the Federal Low-Income Housing Tax Credit (LIHTC) (page 18).

The Executive Summary is available on the Web at http://www.ncsl.org/programs/cyf/guide.htm. For additional information, contact NCSL at 303-830-2054 or e-mail books@ncsl.org.

■ *A Catalog Of Tax-Based Approaches For Financing Child Care* (November 2001), by the National Women's Law Center (NWLC), discusses tax-based approaches for financing child care, explains each of the approaches, and identifies some advantages and disadvantages of each model. It has information about both Federal and State employer tax credits for child care. It states:

B. Investment Tax Credits

1. Employer Tax Credit for Child Care: Tax credits for employers who offer child care assistance to their employees currently exist in 25 States. These tax credits take a wide variety of forms, both in terms of the types of expenses that are eligible for the credit and the size of the credit offered. While a few States offer credits only for start-up expenses, others offer credits for the costs of operating an employer-sponsored child care center, the costs of subsidies given to parents to offset their child care expenses, and the costs of resource and referral services. Some States offer employers a credit equal to a percentage of eligible expenses, sometimes with a cap on the total amount of the credit that can be claimed. The size of the credits structured in this way ranges from 3-5 percent in **Maine** to 100 percent (spread over 10 years) in **Georgia**. Other States restrict the credits to a certain dollar amount per employee or per child served. For example, **Florida** offers a credit equal to $50 per month per child served in an employer-operated child care facility. For those State credits that have had claimants, the most recent available data show that the average value of the employer tax credits for child care ranged from a few thousand dollars for each corporate claimant in several States to about $150,000 for each corporate claimant in **Oregon**. A $150,000 credit in Oregon represents expenditures of at least $300,000 for child care (Appendix 4).

Separate research by the National Women's Law Center concerning the effects of the existing State employer tax credits for child care suggests that, at least in their current form, the employer tax credits have not been successful in encouraging a substantial number of businesses to provide child care assistance. Of the 20 credits for which data are available, 16 had five or fewer corporate claimants.

Oregon's Corporate Child Care Tax Credit: In 2001 the Oregon legislature authorized a five-year pilot program to encourage business investment in child care. Modeled after the Low-Income Housing Tax Credits (LIHTC), the program authorizes the Child Care Division of the Oregon Employment Department to allocate up to $500,000 in tax credit certificates each year to taxpayers that make contributions to the Child Care Division or another selected community agency for the purpose of promoting child care. Like the LIHTC, the tax credit certificates will provide individuals and businesses with a financial return on their investment. Investors will apply for the credits stating how much they are willing to contribute in exchange for a tax credit. For example, an investor could decide that she will pay $750 for $1,000 in tax credits. Therefore, the amount available for child care will be less than the $500,000 allocated for the credits, but promoters expect that the difference between the value of the contributions and the value of the credits will diminish over time as investors compete for the credits. Oregon plans to select an intermediary to administer and facilitate the relationship between the State, investors and child care providers. The administrative cost of running the program at the State and Regional levels will be subtracted from the contributions made and available for distribution to child care providers (Appendix 9–10).

This resource is available on the Web at http://www.nwlc.org/pdf/ACatalogOfTaxBasedApproachesForFinancingChildCareAndAppendixRev.pdf. For additional information, contact NWLC at 202-588-5180 or on the Web at http://www.nwlc.org.

■ "Financing" (June 2001) in *Child Care Newsletter: A Quarterly Report on Financing Quality of Early Care and Education Issues* Vol. 1, No. 4, by the National Conference of State Legislatures (NCSL), states:

> The issue of financing early education and care services is a major concern for States, and lawmakers are considering tax credits and other innovative methods to pay for them. At least 13 State legislatures have proposed a new or improved child care tax credit for families, child care centers or employers. Eight State legislatures (**Connecticut, Indiana, Mississippi, New York, North Carolina, Pennsylvania, South Carolina** and **Washington**) are considering a tax credit to employers who support or provide child care for their employees ...
>
> Legislators in **Alabama, Massachusetts, New York,** and **North Carolina** have proposed tax credits or exemptions for facilities, non-profit providers or reallocation of collected funds. A proposed Massachusetts law would provide a tax exemption for certain materials used to construct child care facilities.

This resource is available on the Web at http://www.ncsl.org/programs/cyf/trends2001.htm. For additional information, contact NCSL at 303-830-2054 or e-mail books@ncsl.org.

■ *Financing Child Care in the United States: An Expanded Catalog of Current Strategies*

(2001), published by the Ewing Marion Kauffman Foundation, reports:

> Twenty-five States provide some sort of income, privilege, or franchise tax assistance to employers who provide or pay for child care for their employers, on top of any tax benefits an employer may get from a Dependent Care Assistance Program (DCAP) or (in some instances) from deducting child care assistance to employees as a business expense. While provisions vary widely from State to State, typically the assistance is in the form of a credit against the employer's income taxes, equal to a percentage of the employer's expenses in creating a child care center, operating a child care center, purchasing child care for employees, or reimbursing employees' child care costs (page 13).
>
> Evidence indicates that the tax credits have been little used at the State level, suggesting they may not be an effective incentive to employers to fund child care. For instance, in **Mississippi** in 1999, out of 57,294 corporate tax returns filed, only six corporations claimed the State credit, which is equal to 50 percent of an employer's child care dependent care costs (page 13).

This resource is available on the Web at http://www.emkf.org/pdf/childcare2001.pdf.

■ *State Business Incentives: Trends and Options for the Future, Second Edition* (2000), by Keon S. Chi and Daniel J. Hofmann, the Council of State Governments (CSG), reports on State tax and financial incentive programs and options for State policy-makers to consider when pondering future courses of action. The report is based on CSG's 1994, 1996 and 1999 surveys of State economic development agencies and other sources. It has the following information about child care tax credits for employers:

> **Arkansas** Child Care Facility Incentive Program.
> Businesses can receive a sales and use tax refund on the initial cost of construction materials and furnishing purchased to build and equip an approved child care facility. Additionally, a corporate income tax credit of 3.9 percent of the total annual payroll of the workers employed exclusively to provide child care services, or a $5,000 income tax credit for the first year the business provides its employees with a child care facility is also available (page 20).
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> **California** Child Care Tax Credits.
> This provides a tax credit for employers who pay or incur costs for the start-up of a child care program or construction of an on-site child care facility. The state's child care tax credits include a credit against state income tax equal to 30 percent of its cost, up to a maximum of $50,000 in one year. Excess credits may be carried over to succeeding years (page 23).
>
> **Georgia** Child Care Credit.
> Employers who provide or sponsor child care for employees are eligible for a tax credit of up to 75 percent of the employer's direct cost. The credit cannot be

more than 50 percent of the employer's total state income tax liability for that taxable year. Any credit claimed but not used in any taxable year may be carried forward for five years from the close of the taxable year in which the cost of the operation was incurred. In addition, employers that construct child care centers can deduct the total cost of building the facility at 10 percent per year for ten years (page 37).

Mississippi Child Care Tax Credit.
Provides a tax credit to new or existing businesses that provide or contract for child care for employees during the employees' work hours. The credit is equal to 25 percent of qualified expenses for child care. The child care facility must have an average daily enrollment of at least six children who are 12 years of age or less for the business to qualify for this credit (page 71).

New Mexico Corporate Child Care Tax Credit
A credit against corporate income tax is allowed for certain child care services provided or paid for by a corporation for employees' children for 30 percent of eligible costs, up to $30,000. Unused credit amounts may be carried over for three years (page 86).

Pennsylvania Employment Incentive Payment Credit
These credits are extended to employers who hire eligible public assistance clients under an Employment Incentive Program. The maximum amount of credit the first year is $1,800, the second year it is $1,200, and the third year it is $600. An additional credit of $600 in the first year of employment, $500 in the second year, and $400 in the third year are available per new employee for providing child care. The amount of credits may not exceed 90 percent of the tax liability for the employer (page 104).

South Carolina Child Care Credit
South Carolina offers business a credit to state corporate income tax for child care expenses. Companies may claim corporate income tax credits for capital costs and operating costs associated with establishing and operating a child care program (page 110).

This resource is available on the Web at http://stars.csg.org/reports/2000/sbi/2000sbi.pdf.

■ *Corporate Tax Incentives for Employer-Supported Child Care Enacted Legislation* (Updated February 2000), by the National Conference of State Legislatures (NCSL), reports on legislation supporting corporate tax incentives in 22 States (Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Kansas, Maine, Maryland, Massachusetts, Mississippi, Montana, Nevada, New Mexico, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, and Texas). This resource is available on the Web at http://www.ncsl.org/programs/cyf/TAXCREDT.htm.

■ *Welfare Check to Paycheck: State Incentives for Businesses to Hire Welfare Clients* (February 1998), by the American Public Human Services Association (APHSA), provides detailed profiles of the States that offer incentives and lists a contact person in each State for hiring welfare clients and gaining more information about the range of tax and employer incentives. For additional information, contact the American Public Human Services Association (APHSA) at 202-682-0100 or on the Web at http://www.aphsa.org.

The National Child Care Information Center does not endorse any organization, publication or resource.

Updated March 2004