

FISCAL NOTE

Bill #: HB 623

Title: Tax credit for business providing day care facility

Primary Sponsor: Jeff Mangan

Status: House 3rd Reading

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	\$20,241	\$0
Revenue:		
General Fund	\$(7,666)	\$(12,479)
Net Impact on General Fund Balance:	\$(27,907)	\$(12,479)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. This bill would provide a non-refundable credit against corporation license tax or personal income tax for employers' expenditures on day care facilities that are acquired and placed in operation between January 1, 2001 and December 31, 2005. The credit is limited to the lesser of a) \$2500 times the number of employees' dependents the facility is designed to accommodate, b) 15% of the cost of the facility, or c) \$50,000. One-tenth of the credit may be claimed in each of ten tax years, and the credit may be carried forward within that ten year period.
2. One employer per year would make investments qualifying for the credit and would claim credits of \$5,000 per year for 10 years. Credits would be \$5,000 in fiscal 2002 and \$10,000 in fiscal 2003.
3. An employer who deducts expenses for day care facilities and claims the credit must reduce the deduction by the amount of the credit. Employers claiming the credit will be paying corporation license tax at the rate of

(continued)

6.75%. The resulting increase in tax liability would be \$338 in fiscal 2002 and \$675 in fiscal 2003. The net reduction in corporation license tax collections would be \$4,662 in fiscal 2002 (\$5,000 - \$338) and \$9,325 in fiscal 2003 (\$10,000 - \$675).

4. This bill would expand the existing credit against personal income tax for dependent care assistance to include expenditures for information and referral services. Six taxpayers claimed credits of \$3697 for tax year 1999. Additional credits claimed because of this bill would be minimal.
5. This bill would expand the existing credit against corporation license tax for dependent care assistance by a) increasing the limit to the lesser of 25% of the amount paid or \$1575 and b) including expenditures for information and referral services. Current law limits the credit to the lesser of 20% of the amount paid or \$1250. In fiscal years 1998 through 2000, three employers claimed this credit. The amount claimed in fiscal 2000 was \$11,444. Expenditures will increase 5% each year, and the credit will increase from 20% of expenditures to 25% of expenditures. Under current law, credits will be \$12,016 in fiscal 2002 and \$12,617 in fiscal 2003. Under the proposed law, credits will be \$15,020 in fiscal 2002 and \$15,771 in fiscal 2003. The net reduction in revenue would be \$3,004 (\$15,020 - \$12,016) in fiscal 2002 and \$3,154 (\$15,771 - \$12,617) in fiscal 2003.
6. The total reduction in revenue for the general fund would be \$7,666 (\$4,662 + \$3,004) in fiscal 2002 and \$12,479 (\$9,325 + \$3,154) in fiscal 2003.
7. This bill would require the Department of Revenue to add new lines to the personal income tax and corporation license tax forms and modify the department's computer system to process the information from those lines. This would cost \$20,241 in fiscal 2002.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$20,241	\$0
<u>Funding:</u>		
General Fund (01)	\$20,241	
<u>Revenues:</u>		
General Fund (01)	\$(7,666)	\$(12,479)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$(27,907)	\$(12,479)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

LONG-RANGE IMPACTS:

The credit for day care facility investments would be available for facilities built between January 1, 2001 and December 31, 2005. The credit must be taken over a ten year period. If one additional employer claims the credit each year it is available, general fund revenues would be reduced by an additional \$4,662 each fiscal year through 2005. The revenue reduction would be unchanged through fiscal 2011, and then would decrease by \$4,662 each fiscal year from 2011 through 2016.