



CHILD CARE: TAX CREDITS/ASSISTANCE/GRANTS

SENATE FINANCE COMMITTEE 4.23.2024

REPRESENTATIVE JULIE COULOMBE



OVERVIEW

1. How the Child Care Assistance Program Works Currently
2. HB 89 New Provisions
3. How the Child Care Tax Credits Work
4. Wrap-up

CURRENT PROGRAM

- Provides a monthly subsidy to help with child care expenses based on a sliding fee scale for eligible low-moderate income families – up to 9%.
- The family benefit is based on geographic location, type of care, age of child(ren), unit of care authorized, and attendance at the child care facility.
- Parents must be participating in an eligible activity of working, attending school or a job training program, and meet non-financial and financial criteria set by the department.
- The income limit is 85% of adjusted median income for Alaska.
- Children between infancy and 12 years old are eligible.
- Provides a \$50 grant per child to child care facilities.

HB 89 ~ PROVISIONS & SECTIONS

- Provides for the child care tax credit, increases education and child care tax credits to \$3 million annually, and extends the tax credit sunset to January 1,2028. (Secs. 1-21)
- Changes terminology throughout statute from “day care” to “child care.” (Secs. 22-27, 29-32, and 36)
- Increases the income eligibility to 105% of the State Median Income. (Sec. 24)
- Caps the family contribution at 7% (currently 9%). (Sec. 28)
- Requires facilities to be designated as “high quality” to receive child care assistance funds. (Sec. 31)
- Requires the prioritization of low income children for the child care assistance program. (Sec. 34)
- Prohibits a child care facility from denying a child for acceptance at a facility based on disability or socioeconomic status. (Sec. 34)
- Definition of “child care facility” (Sec. 35)
- Eliminates the \$50 per child grants to child care facilities. (Secs. 37 & 40)
- Effective Dates – Tax credits sunset 1/1/2028 (Sec. 37); the Act takes effect 1/1/2026 (Sec. 39 & 41); All other sections effective immediately (Sec. 42)

Child Care Tax Credits

- Insurance Tax Credit – Authorized Insurers in the state (Sec. 1-3)
- Income Tax (Sec. 4-6)
- Oil & Gas Production Tax (Sec. 7-9)
- Oil & Gas Exploration, Production, and Pipeline Property Tax (Sec. 10-12)
- Mining Business Tax (Sec. 13-15)
- Fisheries Tax (Sec. 16-18)
- Floating Fisheries Business Tax (Sec. 19-21)
- **Raises the maximum tax credit** (*in combination with the education tax credit*) **to \$3 million annually.**
- **Provides an inflation increase every 5 years beginning in 2030.**
- **Includes contributions of cash or equipment to a child care facility, expenditures made to a child care facility for the tax payer's employees, or payments made to an employee by the taxpayer to offset child care costs.**
- **Education and Child Care Tax Credits sunset January 1, 2028**

IN WRAP-UP, - HB 89 WILL...

- Incentivize the private sector to contribute to child care for their employees
 - It does this by increasing the maximum contribution
 - Extends the sunset date to 2028
- Broaden access to the program for families, helping parents return or enter the workforce, thus increasing the number of children attending child care facilities, growing the industry and increasing the seats available
- Lower the amount of the maximum contribution for families to 7% of income
- Increase the eligibility threshold to 105% of the State Median Income



Questions?

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