

SB

103

Senator Judith E. Salo

Alaska State Legislature



SPONSOR STATEMENT Senate Bill 103

SB 103 encourages corporations in Alaska to provide child care for employees. The bill offers up to \$100,000 in income tax credits to business' that build, remodel, maintain or operate a child care facility for the employees of the company. The tax break can only be claimed one time.

At least 27 states have passed laws encouraging corporations to provide child care. Many of these states have passed a combination of measures. The simplest form is to provide a tax credit to corporations. At least 17 states have passed legislation offering monetary incentive for corporations.

There is no greater concern for working parents than the ability to obtain quality, affordable and dependable child care. When that child care is developed to coincide with the hours and demands of the employer everyone benefits. The ability to attract and retain good employees is enhanced by the companies recognition of the importance of child care. Productivity of employees is increased when worries about child care are lessened or eliminated. Studies also show that maternity leave time and absenteeism are reduced with good corporate-sponsored child care.

Alaska has at least two excellent examples of effective, efficient, corporate child care facilities: the Providence Center for Child Development and the BP Early Learning Center. One is located on-site and one is a nearby facility. This bill is being introduced in the hope that more employers in Alaska will consider providing child care facilities for their employees.

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- During Session: State Capitol • Juneau, AK 99801 • (907) 465-4940 • (907) 465-3766 FAX*
- Interim Anchorage: 716 W 4th, Suite 450 • Anchorage, AK 99501 • (907) 258-8183 • (907) 258-557 FAX*
- Interim Kenai: 34824 K-Brach Rd. • Kenai, AK 99611 • (907) 262-4254 • (907) 262-1881 FAX*

Revision Date: _____ Dept. Affected: Revenue
 Title: Tax Credit for Providing Child Care BRU: Audit Operations
 Component: Income and Excise Audit
 Sponsor: Sen. Salo, Pearce
 Requestor: (S) HES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE: GF	0.0	*****	*****	*****	*****	*****
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current (FY95) impact \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Robert N. Bartholomew, Deputy Director *Robert N. Bartholomew* Phone: 465-2320
 Division: Income and Excise Audit Date: 3/13/95
 Approved by Commissioner: *[Signature]* Date: 3/13/95
 Agency: Department of Revenue

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Bill Analysis

This bill amends corporation net income tax statutes (AS 43.20) to provide for a tax credit not to exceed \$100,000 for costs of building, remodeling, maintaining or operating a child care facility which is operated by a taxpayer to care for the minor children of the taxpayer's employees. A taxpayer may claim a child care tax credit only one time.

This bill takes effect January 1, 1996 and applies to tax years that begin on or after January 1, 1996.

Operating Costs

Department of Revenue does not anticipate any additional costs for administering the child care tax credit program. The Department will update its returns to allow for taxpayers to claim the credit.

Revenue

Department of Revenue is unable to determine revenue impacts of this bill because it is not feasible to estimate how many child care facilities would qualify for credits under this bill and the magnitude of costs associated with the facilities.

Since taxpayers are currently able to deduct costs associated with child care facilities in calculating their taxable income, a \$100,000 expenditure may yield them benefit of \$109,400 as follows: \$9,400 benefit from a tax deduction (\$100,000 times the maximum 9.4% corporation tax rate) plus the \$100,000 credit. The Department recommends that legislature consider changes on lines 10 and 11 to read, "the taxpayer may not use the same costs on which the credit was based to claim a credit or a deduction from income under this or under another provision of this title." to limit the taxpayer's maximum tax benefit to just \$100,000.

Based on information from Department of Health and Social Services, there are currently about 750 licensed child care facilities in Alaska. It is unclear whether a child care facility eligible for this credit would have to provide care solely for children of the taxpayer's employees. Under this bill, it may be possible for a taxpayer to claim a credit for costs associated with a child care facility (operated by the employer) for a facility which cares for children of both employees and the public. If this is the case, taxpayers would be able to claim credits for costs associated with the care of the general public's children and thus have an incentive not available to all private child care facilities.

This bill applies to tax years beginning on or after January 1, 1996. Since corporation taxpayers file annual returns, the first returns for which a credit could be claimed (calendar year 1996) are not due until April 1997. Therefore, this bill have no revenue impact for FY 96.