

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2226

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna D. Hall  
Operator's Signature

10/21/03  
Date

2003 SENATE FINANCE AND TAXATION

SB 2226

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna D. Smith  
Operator's Signature

10/21/03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2226

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 27, 2003

Tape Number	Side A	Side B	Meter #
1	X		1-3470
Committee Clerk Signature <i>Mary Kay Hickey</i>			

Minutes:

Senator Urlacher opened the hearing on SB2226. All members were present. This bill relates to an income tax credit for dependent care expenses.

Senator Mike A. Every is the primary sponsor of this bill. Gave an introduction to the bill and urged support. Child care expense is a growing issue in North Dakota. This bill would offer help for working single moms and working couples. This is an investment in economic activity.

Senator Urlacher - Do companies provide daycare?

Senator Every - Yes, we are seeing a growing trend towards in-house daycare by companies.

Senator Wardner - Is there a tax credit now?

Senator Every - Yes, federal tax credit only.

Senator Tim Mathern - Testified in support of SB2226. This bill would allow ND to join 27 other states that offer this type of tax credit. Printed list attached (exhibit 1).

Barb Arnold-Tengsdal, Executive Director, Voices for North Dakota's Children,

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Deanna Waller*  
Operator's Signature

*10/21/03*  
Date

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2226

Hearing Date January 27, 2003

(mtr #820) - Supports bill. Written testimony (exhibit 2) and several handouts (exhibit 3-7)

This bill encourages a family friendly environment. It will put dollars back in family's wallets.

Senator Wardner (mtr #1530) - Fiscal note, what if we want to reduce the fiscal impact, can the \$60,000.00 income limit be reduced?

Ms. Tengesdal (mtr #1592) - Limit may need to be changed. It could be shaved down.

Senator Nichols (mtr #1668) - Montana and Minnesota, how do their programs compare?

Ms. Tengesdal (mtr #1700) - Answer provided in the exhibits 3-7.

Linda Reincke, Program Director of Child Care Resource and Referral (mtr #1800) - Testified in support of SB2226. Written testimony attached (exhibit 8).

Senator Syverson (mtr #2120) - Is there data available on the dollar amount of federal tax credit families are getting?

Ms. Reincke (mtr #2160) - We do not have that information available.

Gerri Sarsten (mtr #2195) - A citizen testifying in support of SB2226. Summarized her situation with childcare bills.

Joe Becker, State Tax Department (mtr #2509) - Tax Department is neutral on this bill. Here to clarify fiscal note questions. Pulled data from 17,500 returns that showed child and dependent care credit. Do not have individual statistics. Out of that population, that generated 6.75 million as the fiscal note indicates. That is actual tax credits claimed. That is solely the federal child and dependent care credit as reflected on federal tax form. If we take the 6.75 million and apply lowest percentage allowed in the bill, that is 20%, that alone is 1.35 million in fiscal impact. However, we don't know where these folks fall in the categories. Also, the bill has a statement in it, reads, we will base our credit on a percentage of federal credit, without regard to whether

Page 3

Senate Finance and Taxation Committee

Bill/Resolution Number SB2226

Hearing Date January 27, 2003

the tax payer claims the credit or not. That is saying, the credit in this bill is not based solely on what is actually claimed on the return. In answering the question on how this compares to other states, that can vary widely.

Senator Severs (Mt. #3270) - What is the availability of current credits on short forms? Also, do the forms treat the credit differently?

Mr. Beaker (Mt. #3330) - If this bill passed, it would be supported by both ND 1 and ND 2 tax forms.

Senator Urlacher - Closed hearing on SB2226.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna D. Smith  
Operator's Signature

10/21/03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2226

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 28, 2003

Tape Number	Side A	Side B	Meter #
2	X		755-1400
Committee Clerk Signature <i>Mary Kungler</i>			

Minutes:

Senator Urlacher opened the hearing on SB2226. All committee members are present.

Relates to income tax credit for dependent care credit, does have a fiscal note that has a 2.4 million impact on the general fund.

Senator Syverson (mtr #880) - Had a note from Kathy Strombeck. Will get additional information to us. The fiscal note did take into account actual data.

Senator Wardner - Really don't need additional information to vote. Will not have an impact on the fiscal note.

Senator Tollefson motioned for Do Pass and rerefer to Appropriations. 2nd by Senator Seymour.

Roll call vote on Do Pass and rerefer to Appropriations. 6 yea, 0 nay, 0 absent. Carrier is Senator Tollefson.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Deanna Waller*  
Operator's Signature

10/21/03  
Date

**FISCAL NOTE**  
Requested by Legislative Council  
01/17/2003

Bill/Resolution No.: SB 2226

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$2,400,000)			
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

SB 2226 provides an income tax credit for dependent care expenses. The credit is based on a percentage of the federal dependent care credit. The most recent federal statistics available indicate 17,500 North Dakotans claim the federal credit, totaling \$6,750,000 annually. Most of these 17,500 taxpayers would qualify for the state credit, and possibly some additional taxpayers not utilizing the federal credit would qualify for the state credit as well. Using the percentages provided in SB 2226, we estimate the fiscal impact would be a reduction in state general fund revenues of -\$1.2 million per year. The negative fiscal impact could be higher if there is a significant number of taxpayers qualifying for the state credit who did not use the federal credit.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	01/24/2003

Date: 1.26.03  
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2226

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken do pass & Refer to Appropriations

Motion Made By Sen. Tollefson Seconded By Sen. Seymour

Senators	Yes	No	Senators	Yes	No
Senator Urlacher - Chairman	✓		Senator Nichols	✓	
Senator Wardner - Vice Chairman	✓		Senator Seymour	✓	
Senator Syverson	✓				
Senator Tollefson	✓				

Total (Yes) 6 No 0

Absent \_\_\_\_\_

Floor Assignment Senator Tollefson

If the vote is on an amendment, briefly indicate intent:

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Waller  
Operator's Signature

10/21/03  
Date



REPORT OF STANDING COMMITTEE (410)  
January 28, 2003 4:44 p.m.

Module No: SR-16-1235  
Carrier: Tollefson  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

SB 2226: Finance and Taxation Committee (Sen. Uriacher, Chairman) recommends **DO PASS** and **BE REREFERRED** to the Appropriations Committee (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2226 was rereferred to the Appropriations Committee.

(2) DESK, (3) COMM

Page No. 1

SR-16-1235

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Deanna Waller*  
Operator's Signature

*12/21/03*  
Date

2003 SENATE APPROPRIATIONS

SB 2226

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna D. Smith  
Operator's Signature

10/21/03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2226

Senate Appropriations Committee

☐ Conference Committee

Hearing Date February 6, 2003

Tape Number	Side A	Side B	Meter #
#2		x	80-2824 -80
Committee Clerk Signature <i>Jan Hendricks</i>			

Minutes:

Senator Holmberg, chair, called meeting to order with all members present.

(#120) Senator Mathern, Senator from District 11, Fargo. Prime sponsors were not in attendance. Senator Mathern is a cosponsor of the bill. No written testimony. SB 2226 is a bill for income tax credit for dependent care expenses. Senator Mathern stated that in our state we have a situation where the state has the highest or close to the highest number of families that have children where both parents are employed outside the home, and therefore we have a great need for childcare. This bill is in support of childcare.

Senator Holmberg stated that since there are a couple of people who are unable to be here now, so instead of having to get them up to speed on this bill in just a couple of minutes, the committee will not vote on this bill today.

Senator Thane: (#265) Cosponsor of SB 2226. He represents District 25. No written testimony.

He states that he has two grandchildren that he cares for and they spend a lot of time in daycare

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Deanna Ball*  
Operator's Signature

10/21/03  
Date

Page 2  
Senate Appropriations Committee  
Bill/Resolution Number SB 2226  
Hearing Date February 6, 2003

and he knows what it costs. He pays \$222.00 a week during the summer when the children are not in school, this is for 2 children, one is a special needs child and it costs a lot more for a special needs child in daycare. He stated that fortunately he can afford it, but there are others who can't.

Barb Arnold-Tengesdal, Executive Director, Voices for North Dakota's Children (#512). She gave out testimony from Judy Milavetz, President, North Dakota Association for the Education of Young Children who was unable to attend. Exhibit #1. Testimony attached.

Barb's written testimony is Exhibit #2 also attached. She also passed out a copy of North Dakota Century code 57-38-01.20 which is the credit for expenses of caring for certain family members. Exhibit #3 which is also attached. She then handed out State issues on Dependent Care Tax Credit exhibit #4 which is also attached.

Barb talked about the problems with families that make more than the allowed amount for the already existing laws for childcare. This bill is based on just a percentage of the federal childcare tax credit. So the more you make, the less you are going to be able to take. So it is really loaded to help those that need the help, those that are earning \$25,000 or less, \$35,000 or less as a whole family. She also gave some examples of how much it cost for childcare for a year.

Questions: (#1258)

Senator Schobinger: He wondered what a person's tax liability would be if they made \$24,000 a year? Barb: In North Dakota, you start paying taxes at about \$17,000. Senator Kilzer: He wondered if the family that Senator Schobinger was referring to -- earn \$24,000 per year and spend \$6,000 per year for childcare--that does that mean that their state income tax liability would be reduced by \$3,000? Barb responded that if they took the federal childcare credit, and

Deanna D. Smith  
Operator's Signature

10/21/03  
Date

Page 3  
Senate Appropriations Committee  
Bill/Resolution Number SB 2226  
Hearing Date February 6, 2003

say it was \$1000, then they would only be able to take 50% of that (about \$500) on their state tax credit. They won't get to write off all of their child care on the federal, it is a percentage, it is based on their income. Senator Schobinger: It would likely zero out any income tax liability for someone making under \$25,000, is this true? Barb clarified the question. She wanted to know if Senator Schobinger was asking would this mean they would have no tax liability. Barb stated that this is not a refundable credit. They would not get any "extra" back. They have to have a state tax liability in order to claim this credit in the first place. Senator Kilzer: Wanted to know the difference between refundable and non fundable. Barb: Refundable credit would be if you owe state tax and can take the state childcare credit (for example--\$1,000 for federal and \$500.00 for state), you could take the \$500 off of the tax owed, but you could not get that \$500 back if you did not owe any tax. It would not be an amount that you would receive back, it would be a credit only if you owed tax.

Gerri Thurston (?) private citizen. No written testimony . (#1698) She and her husband both work in Bismarck and they need both incomes to pay their student loans, pay for child care and house payments. They earn a combined income of just over \$50,000 a year. Child care for the year 2001 was just over \$5900, of that amount they were able to take a federal tax credit of \$500.00 which was for 2 children. For the year 2002, child care was \$5400 for the year, one child was added and one child started school, who now only goes to childcare part-time, federal tax credit will only be \$500.00 again. She stated that childcare per month was the same as their house payment, and that some months were a struggle. She was in complete support of SB 2226.

Joe Becker with the Tax Department (#1945) No written testimony. He just wanted to clarify some tax questions. Mainly about the refundable and nonrefundable issue. Joe stated that even

Page 4  
Senate Appropriations Committee  
Bill/Resolution Number SB 2226  
Hearing Date February 6, 2003

if the taxpayer had a refund coming of say, \$100 and he had a child care credit of \$200 he would not receive the extra money, only the refund on the tax he paid, not any credits.

Senator Mathern (#2095): Questions regarding the amount of the fiscal note. Joe stated he was correct. Senator Tallackson (#2165): Needed more clarification on the refundable and nonrefundable issue. Joe explained that they would get the refund of the excess that was withheld, nothing more. Senator Christmann (#2258) More questions regarding the tax liability.

Joe explained that the estimated amount that would affect the budget is as follows: This is per year. 0-\$25,000 = \$350,000; \$25,000-\$35,000 = \$450,000; \$35,000 - \$60,000 = \$400,000.

This is about \$1.2 million per year and \$2.4 million for the biennium.

Senator Grindberg would like to see an overview, could the Tax Department supply the committee with an overview of a household; filling jointly; 3 kids, \$50,000 a year income. Break that down to what their tax obligation would be for federal and state. What is their disposable income after taxes. Joe responded that he could do that. Senator Grindberg also wanted to know what their income would be after housing cost, food, etc., if there was stats to show this information. Senator Kilzer (#2631) He wanted to know what the costs are to the state for those that get tax credits because of disabilities or the aged? Joe responded: Family care credit is very limited in its use, and only on the long form. The number of taxpayers actually using it is perhaps 1/2 dozen or so each year. The use is very small, tax loss is minimal. Senator Krauter (#2728) In the Department of Human Services, there is childcare dollars that are available. What are the income limits? Joe: Didn't know the answer, but he would be happy to follow up on that. With no other testimony before the committee, the hearing on SB 2226 was closed. (#2823)

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Waller  
Operator's Signature

10/21/03  
Date

# 2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2226

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 2-12-03

Tape Number	Side A	Side B	Meter #
1	X		1630-1899
Committee Clerk Signature <i>Sandra Davison</i>			

Minutes: (Meter 1630) Chairman Holmberg opened the hearing to vote for SB 2226. A motion for a DO NOT PASS was made by Senator Andrist and seconded by Senator Bowman.

Discussion was held. Senator Andrist felt it was a nice idea but no money. (Meter 1700) Senator Mathern supports this bill. (Meter 1800) Senator Grindberg suggested that if Senator Schobinger's bill passes a family would have \$300 a month more. (Meter 1862) Senator Mathern stated that bill has not passed yet. (Meter 1927) A roll call vote was taken for a DO NOT PASS, with 8 yeas, 6 nays. Senator Andrist to carry to the floor. (Meter 2000) Chairman Holmberg closed the hearing.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature *Deanna D. Smith*

12/21/03  
Date

2226

2/12/03  
~~2/13/03~~

Date: 2/12/03  
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do not PASS

Motion Made By Andrist Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Senator Holmberg, Chairman	✓				
Senator Bowman, Vice Chair	✓				
Senator Grindberg, Vice Chair	✓				
Senator Andrist	✓				
Senator Christmann	✓				
Senator Kilzer	✓				
Senator Krauter		✓			
Senator Kringstad	✓				
Senator Lindaas		✓			
Senator Mathern		✓			
Senator Robinson		✓			
Senator Schobinger	✓				
Senator Tallackson		✓			
Senator Thane		✓			

Total (Yes) 8 No 6

Absent \_\_\_\_\_

Floor Assignment Andrist

If the vote is on an amendment, briefly indicate intent:

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna D. Hall 12/21/03  
Operator's Signature Date



REPORT OF STANDING COMMITTEE (410)  
February 12, 2003 12:03 p.m.

Module No: SR-27-2386  
Carrier: Andrist  
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2226: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO NOT PASS** (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). SB 2226 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

SR-27-2386

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

*Deanna Waller*

Date

10/21/03

2003 TESTIMONY

SB 2226

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dianna D. Smith  
Operator's Signature

10/21/03  
Date

"Strombeck, Kathy L."  
<kstrombeck@state.nd.us>

To: "Syverson, John O." <jsyverson@state.nd.us>  
cc: "Becker, Joe J." <jjbecker@state.nd.us>  
Subject: Fiscal Note on SB 2226

01/28/2003 10:39 AM

Sen. Syverson;

My Tax Dept. colleague, Joe Becker, attended the hearing before the Senate Finance and Tax Committee on SB 2226. He suggested I provide additional statistics to you regarding the fiscal note on the bill. To compute the fiscal note, we used the most recent federal data available, summarized below:

- Approx. \$1,000,000 of federal child care credit was claimed by taxpayers in the "adjusted gross income (AGI) less than \$25,000" category. SB 2226 provides this income category a state credit equal to 50% of the federal credit. These taxpayers were limited by their actual net tax liability rather than by the amount of credit provided in the bill. So, although they were entitled to claim \$500,000 in state credit, their combined tax liability is actually estimated to total only \$350,000. The fiscal impact for this category is, therefore, -\$350,000 per year.
- Approx. \$1,500,000 of federal childcare credit was claimed by taxpayers in the next AGI category, (between \$25,000 and \$35,000). This AGI category receives a state credit equal to 30% of the federal credit. This income category contributes -\$450,000 to the fiscal impact.
- Approx. \$2,000,000 of federal credit was claimed by taxpayers in the final AGI category addressed in SB 2226 (between \$35,000 and \$60,000), which receives a state credit equal to 20% of the federal credit. This category contributes -\$400,000 to the annual fiscal impact.
- There is an additional \$2.3 million of federal child care credit claimed by taxpayers with adjusted gross incomes in excess of the provisions of SB 2226 who will not qualify for a state credit.

I hope this information helps clarify the assumptions used in computing the estimated fiscal impact of -\$1.2 million per year. Please let me know if I can be of any further assistance.

Kathryn Strombeck  
Research Analyst  
Office of Tax Commissioner  
328-3402

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date

EXHIBIT 1

STATES WITH DEPENDENT CARE TAX CREDITS	
<b>Refundable Credits:</b>	
Arkansas, California, Colorado, Hawaii, Iowa, Maine, Minnesota, Nebraska, New Mexico, New York	
<b>Non-Refundable Credits:</b>	
Delaware, District of Columbia, Idaho, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Montana, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Vermont, Virginia	

Payment helped tax  
liability

Up to tax liability

1/27/03

Re SB 2226

To: Senator Unlacher & Senate Finance & Tax

From: Tim Mathern, Senator District 11

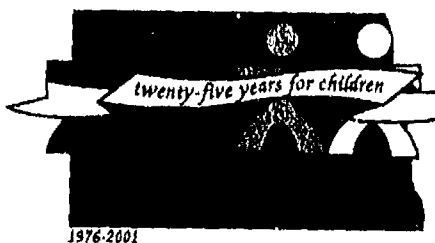
\*Source-

Center for Policy Alternatives

Washington DC

Copyright 2002

VOICES FOR NORTH DAKOTA'S CHILDREN



CENTER FOR EARLY CHILDHOOD LEADERSHIP & ADVOCACY

To: Herb Urlacher, Chairman, and members of Finance and Taxation Committee  
From: Barb Arnold-Tengesdal, Executive Director, Voices for North Dakota's Children  
Date: January 27, 2003  
Re: Testimony in support of SB 2226

*Voices for North Dakota's Children* is a collaborative advocacy effort of early childhood education professional organizations. It is made up of the North Dakota Head Start Association, North Dakota Association for the Education of Young Children, NDCCPI (North Dakota Child Care Providers Incorporated), Child Care Resource & Referral Network, Children's Caucus, North Dakota Professional Development leadership team, Children's Services Coordinating Committee's and tribal early childhood partners.

We urge your support of SB 2226.

Currently, North Dakota provides under Century Code 57-38-01.20 a tax credit for expenses when caring for "certain" family members. This provides a credit for individuals to take who care for persons 65 years or older, or determined to be disabled by the social security administration. Qualified expenses can include payments by the taxpayer for home health agency services, companionship services, personal care attendance services, adult day care and several other types of services. The federal dependent care tax credit also includes care for children under the age of 13. Care of our youngest North Dakotans is not included in the state credit.

The average cost of fulltime child care in North Dakota can range from \$3500 to \$6000 per child, more than the cost of tuition at a state university. Parents are burdened with the expense of rearing children while staying employed with little or no financial support. To aid families in their efforts to stay employed and build North Dakota's economy, a proposed tax credit for child care expenses incurred by individuals while working is outlined in SB 2226. It is similar to the one recently passed in Louisiana. It is based on a percentage of the federal credit taken.

With over 79% of North Dakota mothers of young children in the labor force (Kid Count 2002), the reality is the majority of women are currently working outside the home. We must begin to see there is not a conflict between helping working families meet their child care needs and supporting "stay-at-home" parents. Many parents (women in particular) move in and out of the labor force at different

410 E. Thayer Avenue, Suite 2 ♦ Bismarck, ND 58501 ♦ Phone: 701-224-1445 ♦ Toll Free: 1-866-204-3322 ♦ Fax: 701-255-0848  
btengesdal@qwest.net ♦ ndaeyc@qwest.net

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date

points in the children's lives. Working parents and stay-at-home parents are not two separate groups in conflict with one another. Many women who work outside the home do not have any other choice. Helping working families pay for their child care expenses does not favor working families over those with a parent at home. A family with child care expenses that are partially offset by a tax credit will still have ~~less~~ disposable income than a family at the same income level that has no child care expenses.

Regarding the fiscal note created by the Tax department, it appears to be based on the number of North Dakotans who claimed the federal credit-which includes elderly and disabled dependents along with child dependents. If this is true, what must be reduced in this fiscal note is the number of taxpayers who are already taking the state credit currently available for elderly or disabled dependents. It is not clear if this fiscal note indicates new revenue loss due to added child care related expenses or a summary of all revenue that would be lost for all dependent care related expenses. It is also important to note, this bill addresses a percentage of a taxpayer's federal DCTC (Dependent Care Tax Credit) not the federal CTC (Child Tax Credit) or the EITC (Earned Income Tax Credit).

We believe passing SB 2226 is one of the first steps to creating a family friendly environment in our state. We believe it encourages young people to raise children and use the dollars that stay in their wallets to put it back in the community either paying for services such as higher quality child care, enrolling children in community activities or buying merchandise in local stores.

*Grow North Dakota.... Invest in Children.*

*Child care keeps families working!*

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Deanna Ball*  
Operator's Signature

*10/21/03*  
Date

### Federal Dependent Care Tax Credit

As part of the 2001 federal tax law changes, Congress increased the Dependent Care Tax Credit (DCTC), beginning in tax year 2003. The current DCTC, which had not been increased for inflation since 1981, permits families with qualifying work-related child and dependent care expenses to claim a non-refundable tax credit for a percentage of these expenses. The new law increases the maximum percentage of qualifying expenses from 30 percent to 35 percent, raises the adjusted gross income (AGI) at which the maximum credit may be claimed from \$10,000 to \$15,000, and increases the limits on qualifying child and dependent care expenses from \$2,400 to \$3,000 for one child or dependent and from \$4,800 to \$6,000 for two or more children or dependents. Under these changes, families with an AGI of \$43,000 or less will see an increase in their maximum credit amounts, as will families at all income levels with expenses above the current limits of \$2,400/\$4,800. The new maximum credit amounts will range from \$2,100 for families with an AGI of \$15,000 or less and two or more children or dependents (\$1,050 for families with one child or dependent) to \$1,200 for families with an AGI of more than \$43,000 and two or more children or dependents (\$600 for families with one child or dependent).

For additional information about federal human services legislation that affects child care or early childhood education, e-mail Sheri Steisel ([sheri.steisel@ncsl.org](mailto:sheri.steisel@ncsl.org)) or ([lee.posey@ncsl.org](mailto:lee.posey@ncsl.org)) or call them at NCSL's Washington, D.C. office at (202) 624-5400.

<http://204.131.235.67/programs/cyf/Mar02new.htm>

12/19/2002

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna D. Wallis  
Operator's Signature

12/21/03  
Date

Exhibit 4



## Child Care



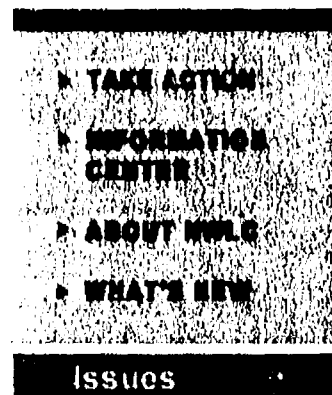
SUPPORT US | SITE INDEX | SEARCH | E-MAIL ALERTS | ARCHIVES | CONTACT US | HOME

**There is no Conflict Between Helping  
Working Families Meet Their Child Care  
Needs and Supporting "Stay-at-Home"  
Parents**

- *We should support all parents -- mothers and fathers -- in the decisions they make, whether it is to work in the paid labor force or stay home with their children, or do some of each. Indeed, because many parents (women in particular) move in and out of the labor force at different points in their children's lives, it is simply inaccurate to treat "working" and "stay-home" parents as two separate groups in conflict with one another.*
- *The reality is that an overwhelming majority of American women with children currently work outside the home. According to the Labor Department, over 70% of all women with children under 18, nearly three out of four women with children between 6 and 18, 65% of women with children under age 6, and 58% of women with infants under age 1, now work outside the home.<sup>(1)</sup> The majority of these women work full time (over 70% of those with children under 18; almost 70% of those with children under 6; and over 65%*

<http://www.nwlc.org/details.cfm?id=49&section=childcare>

12/12/2002



Athletics

Child Care

Child & Family Support

Education

Employment

Health

Judges, Courts and Women's Rights

Reproductive Rights

Sexual Harassment

Social Security

Tax

Women in the Military

**Support Us**

**Join our e-mail  
alert list**

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date



of those with children under age 3).

(2) Today, of married couple families with children under age 6, only one in four fits the traditional model of husband as sole breadwinner. (3) Of all families with children under age 6, only 18% fit this model. (4)

Some of these documents  
may require Adobe  
Acrobat  
to read. If you do not have  
Acrobat, please download  
it.



- ***Most women who work outside the home do not have any other choice.*** They work to support their families. This is true for most married women, whose families depend on their income, (5) and it is obviously true for women who are single heads of household, who make up 27% of all families with children, (6) and who have a median annual income of only \$17,256. (7) Indeed, our nation just made the societal judgment, in overhauling the welfare system, that we expect needy single parents to be in the workforce rather than receive assistance to stay home with their children.
- ***These working parents rely on child care to provide a safe and nurturing environment for their children while they are at work.*** Yet today, high-quality child care is too often unaffordable or simply not available. That is why we need to do more to ensure that working families have high-quality child care choices that they can afford.

<http://www.nwlc.org/details.cfm?id=49&section=childcare>

12/12/2002

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna D. Smith  
Operator's Signature

12/21/03  
Date

- ***Helping working families pay for their child care expenses does not favor working families over those with a parent at home; all it does is partially defray an expense they incur in order to work -- an expense they otherwise would not have.*** The Dependent Care Tax Credit, for example, provides a tax credit for only a fraction (currently no more than 30%) of a family's actual child care expenses, and only up to certain expense limits (\$2,400 for one child, for a maximum DCTC of \$720, and \$4,800 for two or more children, for a maximum DCTC of \$1,440). A family with child care expenses that are partially offset by the DCTC will still have *less* disposable income than a family at the same income level that has no child care expenses.

- ***Many families who choose to have a parent at home need help too; any new assistance to these families should be targeted to the low- and moderate-income families who need it most.*** There are, in fact, already policies in place that help support these families. The recently passed \$500 per-child tax credit provides some help to families with children, including those with a parent at home. In addition, the tax code contains a number of built-in advantages for most couples with just one earner.<sup>(8)</sup> For example, these couples receive a "marriage bonus" when they

<http://www.nwlc.org/details.cfm?id=49&section=childcare>

12/12/2002

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Deanna Wall*  
Operator's Signature

*12/21/03*  
Date

marry -- i.e., they pay less in taxes than they did as single taxpayers because they qualify for a larger standard deduction, an additional personal exemption, and a lower tax rate -- in contrast with two-earner couples, who generally incur a "marriage penalty" when they marry.<sup>(9)</sup>

- ***Expanding the Family and Medical Leave Act will help parents stay home with their children.*** The FMLA, which guarantees parents the right to take up to 12 weeks of unpaid time off from work upon the birth or adoption of a child, currently covers only those employers with 50 or more employees. It should be expanded to cover employers with 25 or more employees, which would increase its coverage to roughly 71% of the private workforce in this country, and serious efforts should be made to determine how to ensure that employees receive paid leave, so that more parents can be home during the critical early months of a child's life. A recent United Nations survey of 152 nations found that the United States is one of only six that does not have some national policy requiring paid leave for new parents.<sup>(10)</sup>

February, 1999

#### REFERENCES

1. Tabulations based on Department of Labor, U.S. Bureau of Labor Statistics, Employment Characteristics of Families, Current Population

<http://www.nwlc.org/details.cfm?id=49&section=childcare>

12/12/2002

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

*Deanna D. Smith*

12/21/03  
Date

Survey, 1997 Summary and Table 3. These percentages understate how many women raising children are in the paid labor force because they reflect only women raising their *own* children, and do not include the many women who are raising grandchildren, nieces and nephews, or other related children.

2. Id., Tables 5 and 6.

3. Tabulation based on data from U.S. Department of Commerce, Bureau of the Census, Money Income in the United States: 1997, Current Population Reports, Consumer Income, No. P60-197 (September 1998), Tables 5 and 6.

4. Id.

5. See, e.g., Ask a Working Woman, a report on the national survey for the Working Women's Department, AFL-CIO (1997); Women: the New Providers, Whirlpool Foundation study by Families and Work Institute (May 1995).

6. U.S. Department of Commerce, Bureau of the Census, Household & Family Characteristics: March 1997, Current Population Reports, No. P20-295 (September 1998), Table 6.

7. U.S. Department of Commerce, Bureau of the Census, Historical Income Tables-Families, Table F-10 (1998)

8. See McCaffrey, E., Taxing Women (University of Chicago Press 1997), summarized in "Taxing Women -- How the Tax Code Discriminates Against Women and Families," Research-in-Brief of the Institute for

<http://www.nwlc.org/details.cfm?id=49&section=childcare>

12/12/2002

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna D. Hall  
Operator's Signature

12/21/03  
Date

Women's Policy Research, September 1997.

9. The "marriage penalty" for members of a two-earner couple occurs when, on marriage, their combined income pushes them into a higher tax bracket. See, e.g., For Better Or For Worse: Marriage and the Federal Income Tax, A Congressional Budget Office Study, June 1997, at p. 25.

10. Olson, E., "U.N. Surveys Paid Leave For Mothers," New York Times, February 16, 1998.

[ [support us](#) | [site index](#) | [search](#) | [e-mail alerts](#) | [archives](#) | [contact us](#) ]  
[ [home](#) | [athletics](#) | [child care](#) | [child and family support](#) | [education](#) | [employment](#) ]  
[ [health](#) | [judges, courts & women's rights](#) | [reproductive rights](#) | [sexual harassment](#) |  
[social security](#) | [tax](#)  
[women in the military](#)

National Women's Law Center | 11 Dupont Circle NW, Suite 900 | Washington, DC 20036 | Tel: 202.588.5180 | Fax: 202.588.5185

Privacy Statement

National Women's Law Center

Copyright 2000.

Disclaimer

<http://www.nwlc.org/details.cfm?id=49&section=childcare>

12/12/2002

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Waller  
Operator's Signature

12/21/03  
Date

**57-38-01.20 Credit for expenses of caring for certain family members**

1. An individual is entitled to a credit against the tax imposed under section 57-38-29 or 57-38-30.3 in the amount of qualified care expenses under this section paid by the individual for the care of a qualifying family member during the taxable year.
2. A qualifying family member is an individual who has taxable income of twenty thousand dollars or less or a married individual with taxable income of thirty-five thousand dollars or less, including that of the individual's spouse, for the taxable year. A qualifying family member must be related to the taxpayer by blood or marriage and either sixty-five years of age or older or determined to be disabled by the social security administration.
  - a. Qualified care expenses include payments by the taxpayer for home health agency services, companionship services, personal care attendant services, homemaker services, adult day care, respite care, health care equipment and supplies, and other expenses for goods or services that are necessary to allow the qualifying family member to avoid placement in a long-term care facility and which are:
    1. Provided to or for the benefit of the qualifying family member or to assist the taxpayer in caring for the qualifying family member;
    2. Provided by an organization or individual not related to the taxpayer or the qualifying family member; and
    3. Not compensated for by insurance or federal or state assistance programs.
  - c. For purposes of this subsection, "companionship services" means services that provide fellowship, care, and protection for individuals who, because of advanced age or physical or mental disabilities, cannot care for their own needs. Those services may include household work related to the care of the aged or disabled person, including meal preparation, bed making, washing of clothes, and other similar services,

<http://www.state.nd.us/taxdpt/centurycode/57-38.html>

12/26/2002

Deanna D. Hall  
Operator's Signature

12/21/03  
Date

and may include the performance of general household work if that work does not exceed twenty percent of the total weekly hours worked. "Companionship services" does not include services relating to the care and protection of the aged or disabled which require and are performed by trained personnel, including a registered or practical nurse, and does not include services of individuals who provide care and protection for infants and young children who are not physically or mentally disabled.

4. The percentage amount of credit allowable under this section is:

- a. For a taxpayer whose taxable income does not exceed twenty-five thousand dollars, or thirty-five thousand dollars for a joint return, thirty percent of qualified elderly care expenses; or
- b. For a taxpayer whose taxable income exceeds twenty-five thousand dollars, or thirty-five thousand dollars for a joint return, the greater of:

1. Twenty percent of qualified elderly care expenses; or
2. Thirty percent of qualified elderly care expenses, minus one percent of those expenses for each two thousand dollars or fraction of two thousand dollars by which the taxable income of the taxpayer for the taxable year exceeds twenty-five thousand dollars.

6. The dollar amount of credit allowable under this section is:

- a. Reduced by one dollar for each dollar of the taxable income over fifty thousand dollars for a taxpayer whose taxable income exceeds fifty thousand dollars, or for a joint return, reduced by one dollar for each dollar of the taxable income over seventy thousand dollars for taxpayers whose taxable income exceeds seventy thousand dollars;
- b. Limited to two thousand dollars per qualifying family member in a taxable year and to four thousand dollars total for two or more qualifying family members in a taxable year; and
- c. Prorated among multiple taxpayers who each contribute to qualified care expenses of the same qualified family member in a taxable year in the same proportion that their

<http://www.state.nd.us/taxdpt/centurycode/57-38.html>

12/26/2002

Deanna C. Waller  
Operator's Signature

10/21/03  
Date

contributions bear to the total qualified care expenses paid by those taxpayers for that qualified family member. To the extent necessary to administer proration under this subdivision, the secrecy provisions of section 57-38-57 do not apply to disclosures necessary to advise taxpayers of how proration should have been computed.

8. A deduction or credit is not allowed under any other provision of this chapter with respect to any amount for which a credit is allowed under this section. The credit allowed under this section may not be claimed as a carryback or carryforward and may not be refunded if the taxpayer has no tax liability.
9. In the case of a married individual filing a separate return, the percentage amount of credit under subsection 4 and the dollar amount of credit under subsection 5 are limited to one-half of the amounts indicated in those subsections.

Source: S.L. 1997, ch. 492, § 1; 1999, ch. 511, § 1.

**Effective Date:**

The 1999 amendment of this section by section 1 of chapter 511, S.L. 1999 is effective for taxable years beginning after December 31, 1998, pursuant to section 2 of chapter 511, S.L. 1999.

This section is effective January 1, 1997.

**Note:**

Section 3 of chapter 492, S.L. 1997 provides: "This Act is effective for taxable years beginning after December 31, 1996."

<http://www.state.nd.us/taxdpt/centurycode/57-38.html>

12/26/2002

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date



ISSUES | LEADERS | STATES | CPA  
SEARCH | SITE MAP | FEEDBACK | PRESS ROOM | HOMESTATE  
ISSUES

-- Choose A State Issue --

## Dependent Care Tax Credit

■ Overview  
of  
Dependent  
Care Tax  
Credit■ Model  
Legislation■ Resources

Too many working parents cannot afford the high cost of child and adult dependent care. The price of child care can range from \$3,000 to \$10,000 annually per child, depending on the age of the child, the kind of care, and the geographic location. Child care is the third greatest expense, after housing and food, for low- and middle-income families with children between the ages of three and five. Expenses for adult care can be even higher-the average cost of adult day care can vary from \$4,300-14,000 a year.

Targeted tax credits, like the federal dependent care tax credit (DCTC), help offset the costs of child and adult care for working families. The federal DCTC helps families afford child and adult care expenses by allowing taxpayers to offset a portion of dependent care expenses against their federal income tax liability. In 2001, Congress expanded the DCTC, increasing the credit to \$1,050 for families with incomes under \$15,000 and two or more dependents, and \$600 per dependent for families with incomes under \$43,000. In 1998, 5.9 million taxpayers claimed the DCTC, receiving over \$2.5 billion in tax relief.

Building on the success of the federal tax credit, many states also offer tax assistance for child and adult care expenses. Twenty-six states and the District of Columbia offer dependent care tax assistance to families. Most of those states offer a

<http://www.stateaction.org/issues/dependentcare/index.cfm>

1/7/2003

tax credit that is calculated as a percentage of the federal DCTC. Ten states have refundable credits, allowing families to receive a refund if the credit exceeds their total income tax liability. New York provides an example of a credit targeted toward those most in need of assistance. For tax year 2001, New York allows a maximum refundable credit of \$1,584-110 percent of the federal DCTC-to families with incomes under \$25,000, and \$192 to families with incomes over \$65,000. The combination of the federal and state dependent care tax credits provides critical help to families struggling with caregiving needs.

**Dependent care tax credits help millions of families who do not benefit from child care subsidies.** The Child Care and Development Block Grant (CCDBG) provides funds to subsidize state childcare programs for families with incomes up to 85 percent of the median income. However, only one in eight eligible children actually receive help, due to limited federal funding. In addition, the vast majority of states disqualify families for childcare subsidies before they reach the federal income eligibility limit. And even when CCDBG subsidies are available, the amount of the subsidy is often so low that parents cannot afford the co-payments. Dependent care tax credits, especially if refundable, help close these gaps. Tax credits can also provide assistance to moderate-income families that earn too much to qualify for federal childcare subsidies.

**Dependent care tax credits provide more relief to low-income families than tax deductions.** Tax credits provide greater assistance to low-and moderate-income families than tax deductions because deduction values are determined by, and increase with, the marginal tax rate. This means that

<http://www.stateaction.org/issues/dependentcare/index.cfm>

1/7/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

10/21/03  
Date

a higher-income family that pays taxes at a higher marginal rate gets more benefit from an identical deduction than does a lower-income family at a lower marginal rate. In contrast, identical credits produce the same dollar value for lower- and higher-income families.

**States should include the following provisions in their dependent care tax credits to ensure that the greatest tax benefits reach low- and moderate-income families:**

■ **Tax credits should be fully refundable.**

Refundability ensures that a state dependent care tax provision provides as much assistance as possible to low-income families. The lowest-income families are likely to have so little state income tax liability (even though they pay state sales, payroll and other taxes) that, without a refundable credit, they will derive little or no benefit from a dependent care tax provision.

■ **Benefit amounts should be determined by a progressive sliding scale.** States can further target dependent care tax benefits to low- and moderate-income families through use of sliding-scale formulas that provide greater benefits to low- and moderate-income families than to higher-income families.

This policy summary relies in large part on information from the National Women's Law Center.

<b>STATES WITH DEPENDENT CARE TAX CREDITS</b>
---

<b>Refundable Credits:</b>
----------------------------

Arkansas, California, Colorado, Hawaii, Iowa,
---

<http://www.stateaction.org/issues/dependentcare/index.cfm>

1/7/2003

Maine, Minnesota, Nebraska, New Mexico, New York

**Nonrefundable Credits:**

Delaware, District of Columbia, Idaho, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Montana, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Vermont, Virginia

CENTER FOR

[STATE ISSUES](#) | [STATE LEADERS](#) | [STATE OF STATES](#) | [ABOUT CPA](#)

[SEARCH](#) | [SITE MAP](#) | [FEEDBACK](#) | [PRESS ROOM](#) | [HOME](#)

Copyright © 2002 Center for Policy Alternatives  
Design by SealRock Design & Communications

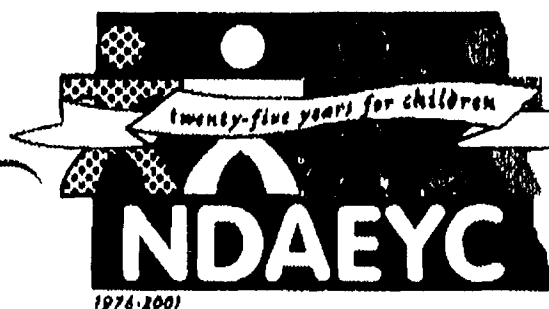
<http://www.stateaction.org/issues/dependentcare/index.cfm>

1/7/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date



**North Dakota Association  
for the Education of Young Children**

---

**To:** Herb Urlacher, Chairman, and Members of Senate Finance and Taxation Committee  
**From:** Judy Milavetz, President, North Dakota Association for the Education of Young Children  
**Date:** January 27, 2003  
**RE:** Testimony in support of SB 2226

The North Dakota Association for the Education of Young Children strongly supports SB 2226, the working family tax credit. The bill offers individuals a state income tax deduction for employment-related child care expenses as a percentage of their federal Child and Dependent Care (CADC) tax liability. As North Dakota struggles with bolstering its economy and stemming out-migration, this bill represents a new avenue for giving young families needed support while strengthening North Dakota's business and economic climate.

SB 2226 enhances workforce development by increasing the affordability of child care for employees. Over half the states have similar child and dependent care tax provisions, including our neighbors Minnesota and Montana, making it a factor in attracting young families to the labor force. A local study indicated that for over one third of parents surveyed, lack of affordable child care had discouraged them from working or taking a job in the community. (*Child Care Arrangements in Grand Forks, 2000*.) Employees' ability to access effective child care arrangements further profits the labor force by lowering absenteeism and other workplace disruptions while increasing productivity. (*CO Commission on Child Care Financing, 1995*)

SB 2226 offers the greatest advantages to families with the lowest incomes, often those who have no option to remain at home with their young children because of TANF regulations. The costs of obtaining child care can be prohibitively expensive, consuming over 20% of household income. (*US Bureau of the Census, 2002*) Making quality child care affordable to these families has been shown to increase their rates of job retention. (*National Conference of State Legislatures, 2000*) In addition to improving the success of parents in the workforce, the children of the working poor make striking intellectual gains when in higher quality child care settings, better preparing them for K-12 education. (*Children of the Cost, Quality, & Outcomes Study Go to School, 2000*)

Lastly, all taxpayers of the state stand to profit from SB 2226, not just those who have employment-related child care expenses. When working families are able to afford care that protects children's well-being and promotes learning, significant fiscal advantage are realized. (*Child Care Bureau, USDHHS, 1999*) Studies document future savings of over five dollars for every dollar invested by lowering the rates of special education, school drop-outs, unemployment, social welfare, and crime. (*Significant Benefits, High/Scope Press, 1993*)

We value your expertise as legislators in creating public policies that are responsible to our entire citizenship. As you wrestle with tough decisions on allocation of resources, please consider the value of SB 2226 in making an investment in North Dakota's young families and the workforce they uphold. The economic, educational, and social benefits will extend far into the future.

*"Dedicated to collaborative efforts enhancing quality care and education for all young children."*

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Judy Milavetz*  
Operator's Signature

*10/21/03*  
Date

Exhibit 8

Comments of Linda Reinicke  
Senate Finance and Tax Committee  
Regarding Senate Bill 2226  
January 27, 2003

Chairman Urlacher and Members of the Committee:

I am Linda Reinicke, Program Director of Child Care Resource & Referral (CCR&R) in western ND. I represent the statewide network of Child Care Resource & Referral offices located in non-profit agencies in Minot, Devils Lake, Grand Forks, Fargo, Jamestown and Bismarck. My employer is Lutheran Social Services of North Dakota.

CCR&R helps parents find child care. Through our referral service, parents receive a list of providers who meet their specific child care needs and resources to help them search for care. Each licensed child care business provides us information regarding the days and hours they operate, program fees, and specific aspects of their programs (fenced in back yard, pets, transportation, etc.). This information is updated regularly. Last year CCR&R helped 3,926 families find care for 5,314 children. North Dakota has approximately 1,500 family providers and 120 centers that have the capacity to care for 29,000 children.

Despite the seemingly large numbers of providers, families struggle to find care:

- Because the business of child care is not highly profitable, the availability of care, particularly infant or odd-hour care, is limited.
- The shortage of care is reflected in recent calls to the Bismarck CCR&R office. From January 1 – 15 of this year, our Bismarck office received 32 calls for infant care (6 weeks to 12 months) in the Bismarck/Mandan area. There are approximately 300 licensed providers in this area, but only 28 infant openings. This scenario for infant care is norm for the rest of the state.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Waller  
Operator's Signature

10/21/03  
Date

- The labor-intensive nature of child care keeps costs high with 73% (national average) of center income spent on salaries (\$ 5.50 per hour).
- Providers depend primarily on parent fees. Two federal programs, the USDA Child and Adult Care Food Program and Child Care Assistance assist some providers and low-income working parents.

Parents also struggle to afford good child care. The average annual cost of infant care in North Dakota is \$4,572, a cost that rivals the annual tuition at a state university. Preschool tuition was \$4,320, and parents with more than one child in care often pay annual child care tuition that exceeds their rent or mortgage payment.

The following chart tells the financial story of many working families paying the child care. These families are not eligible for child care assistance.

Household	Monthly Income	Monthly Cost of Care	Annual Income	Annual Cost of Care	% of Income for Child Care
Family of three with one infant in child care.	\$2,463	\$381	\$29,556	\$4,572	15%
Family of four with an infant and 3 year-old in child care.	\$2,933	\$741	\$35,196	\$8,892	25%

SB 2226 would provide some relief to middle-income families and strengthen the availability of child care in the state. Thank you for your time and consideration of this important issue.

Linda Reinicke

CCR&R Program Director

Lutheran Social Services of North Dakota

701-530-2501

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date