

**HOUSE BILL NO. 1227**

Introduced by

Representatives Beadle, Boschee, D. Johnson, Lefor, Maragos

Senators Oehlke, Poolman

1 A BILL for an Act to create and enact three new sections to chapter 57-38 and three new  
2 subdivisions to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating  
3 to child care income tax credits; to provide an appropriation; and to provide an effective date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1.** A new section to chapter 57-38 of the North Dakota Century Code is created  
6 and enacted as follows:

7 **Income tax credit for child care expenses.**

- 8 1. A taxpayer is allowed a credit against the tax imposed under section 57-38-30.3 for  
9 each qualifying child of the taxpayer.
- 10 2. The amount of the credit under this section is:
- 11 a. Seventy-five percent of the maximum available credit for the child under  
12 section 21 of the Internal Revenue Code [26 U.S.C. 21] for the same taxable year  
13 if the qualifying child attended a participating child care facility with a step four  
14 quality rating;
- 15 b. Fifty percent of the maximum available credit for the child under section 21 of the  
16 Internal Revenue Code [26 U.S.C. 21] for the same taxable year if the qualifying  
17 child attended a participating child care facility with a step three quality rating; or
- 18 c. Twenty-five percent of the maximum available credit for the child under section  
19 21 of the Internal Revenue Code [26 U.S.C. 21] for the same taxable year if the  
20 qualifying child attended a participating child care facility with a step two quality  
21 rating.
- 22 3. For purposes of this section:
- 23 a. "Qualifying child" means:
- 24 (1) A child under the age of six at the end of the taxable year;

- 1           (2) Who attended a participating child care facility during the taxable year  
2           having a minimum of a step-two rating under an approved quality rating  
3           program; and
- 4           (3) For whom the taxpayer is entitled to a personal exemption deduction for  
5           federal income tax purposes for that taxable year.
- 6           b. "Participating child care facility" means a child care facility, licensed by the  
7           department of human services, participating in a quality rating program approved  
8           by the department of human services.
- 9           4. Spouses filing a joint return may claim one credit for each qualifying child under this  
10          section.
- 11          5. If the amount of the credit determined under this section exceeds the taxpayer's  
12          liability for tax under this chapter, the excess may be carried forward to each of the  
13          next five succeeding taxable years.
- 14          6. Prior to December thirty-first of each year, a participating child care facility shall  
15          provide to each taxpayer having a qualified child enrolled in its facility during the  
16          taxable year, a child care credit certificate listing:
- 17           a. The name of the facility in which the qualifying child was enrolled;  
18           b. The license number issued to the facility by the department of human services;  
19           and
- 20           c. The facility's quality rating and the date that rating was received by the facility.
- 21          7. To receive the tax credit provided under this section, a taxpayer shall claim the credit  
22          on the taxpayer's state income tax return in the manner prescribed by the tax  
23          commissioner.
- 24          8. If a qualifying child attended more than one child care facility during the taxable year,  
25          credit shall be calculated according to the highest rated facility the qualifying child  
26          attended.

27          **SECTION 2.** A new section to chapter 57-38 of the North Dakota Century Code is created  
28 and enacted as follows:

1 **Income tax credit for child care providers.**

2 1. A child care provider employed for six months or more at a licensed child care facility  
3 and having participated in a qualifying professional development program is allowed a  
4 credit against the tax imposed under section 57-38-30.3.

5 2. The amount of the credit under this section is:

6 a. Two thousand dollars for a child care provider having obtained a career category  
7 ranking level of H, I, or J;

8 b. One thousand five hundred dollars for a child care provider having obtained a  
9 career category ranking level of E, F, or G; or

10 c. Seven hundred fifty dollars for a child care provider having obtained a career  
11 category ranking level of C or D.

12 2. For purposes of this section:

13 a. "Child care provider" includes a child care director, caregiver, or other staff  
14 member who provides care to children in a child care facility licensed by the  
15 department of human services.

16 b. "Qualifying professional development program" means a professional  
17 development program approved by the department of human services that  
18 provides training and education for child care professionals and employs a career  
19 category ranking system of A through H.

20 4. If the amount of the credit determined under this section exceeds the taxpayer's  
21 liability for tax under this chapter, the excess may be carried forward to each of the  
22 next five succeeding taxable years.

23 5. Prior to January thirty-first in the year following the taxable year in which the credit  
24 may be claimed, the department of human services shall provide a certificate to each  
25 child care provider having participated in a qualifying professional development  
26 program in the prior year indicating the career category ranking achieved by the child  
27 care provider. The department of human services shall submit to the tax commissioner  
28 a copy of each certificate provided under this subsection.

29 6. To receive the tax credit provided under this section, a taxpayer shall claim the credit  
30 on the taxpayer's state income tax return in the manner prescribed by the tax  
31 commissioner.

1       **SECTION 3.** A new section to chapter 57-38 of the North Dakota Century Code is created  
2 and enacted as follows:

3       **Business-supported child care credit.**

- 4       1. An employer, whose primary source of income is from a business other than the  
5 business of providing child care services, is allowed a credit against the tax imposed  
6 under section 57-38-30 or 57-38-30.3 for qualified child care expenditures.
- 7       2. The amount of the credit under this section is equal to the amount:
- 8       a. Expended to construct, renovate, expand, repair, maintain, operate, or purchase  
9 equipment for a licensed child care facility, not to exceed fifty thousand dollars in  
10 expenses per taxable year;
- 11       b. Paid to a licensed child care facility for child care services to support the  
12 employees of the employer, not to exceed five thousand dollars per child per  
13 taxable year;
- 14       c. Expended to purchase child care slots at licensed child care facilities which are  
15 actually provided or reserved for children of the employer's employees, not to  
16 exceed fifty thousand dollars per taxable year; and
- 17       d. Provided in donations to child care resource and referral agencies contracting  
18 with the department of human services to provide information and services to  
19 parents and child care providers, not to exceed five thousand dollars per taxable  
20 year.
- 21       3. The taxpayer shall claim the total credit amount for the taxable year in which the  
22 qualified child care expenditures are made, except depreciated property expenditures  
23 shall be claimed in the taxable year in which the property is placed in service.
- 24       4. If two or more taxpayers share in the qualified child care expenditures, each taxpayer  
25 must be allowed the credit in relation to the respective share paid or incurred by each  
26 taxpayer of the total expenditures for the facility in each taxable year.
- 27       5. A partnership, subchapter S corporation, limited partnership, limited liability company,  
28 or any other passthrough entity entitled to the credit under this section must be  
29 considered to be the taxpayer for purposes of calculating the credit. The amount of the  
30 allowable credit must be determined at the passthrough entity level. The total credit  
31 determined at the entity level must be passed through to the partners, shareholders, or

1           members in proportion to their respective interests in the passthrough entity. An  
2           individual taxpayer may take the credit passed through under this subsection against  
3           the individual's state income tax liability under section 57-38-30.3.

4           6. If the amount of the credit determined under this section exceeds the taxpayer's  
5           liability for tax under this chapter, the excess may be carried forward to each of the  
6           next five succeeding taxable years.

7           7. Qualified child care expenditures under this section may not be used in the calculation  
8           of any other income tax deduction or credit allowed under state law.

9           8. To receive the tax credit provided under this section, a taxpayer shall claim the credit  
10          in the form and manner prescribed by the tax commissioner.

11          **SECTION 4.** Three new subdivisions to subsection 7 of section 57-38-30.3 of the North  
12          Dakota Century Code are created and enacted as follows:

13                   Income tax credit for child care expenses under section 1 of this Act.

14                   Income tax credit for child care providers under section 2 of this Act.

15                   Business-supported child care credit under section 3 of this Act.

16          **SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general  
17          fund in the state treasury, not otherwise appropriated, the sum of \$8,000,000, or so much of the  
18          sum as may be necessary, to the department of human services for the purpose of  
19          implementing the provisions of section 50-11.1-14.1, for the biennium beginning July 1, 2015,  
20          and ending June 30, 2017.

21          **SECTION 6. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
22          December 31, 2014.