

**SENATE  
STATE OF MINNESOTA  
NINETY-FIRST SESSION**

**S.F. No. 1110**

(SENATE AUTHORS: ANDERSON, P., Franzen, Nelson, Lang and Wiklund)  
DATE 02/11/2019 D-PG 334 OFFICIAL STATUS Introduction and first reading Referred to Taxes

1.1 A bill for an act  
1.2 relating to taxation; individual income and corporate franchise; establishing a  
1.3 refundable tax credit for certain qualified child care expenses, professionals, and  
1.4 providers; proposing coding for new law in Minnesota Statutes, chapter 290.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[290.0693] CHILD CARE WORKFORCE, SUPPLY, AND QUALITY**  
1.7 **CREDIT.**

1.8 Subdivision 1. Credit allowed for payments to a qualifying child care facility. (a) In  
1.9 addition to the credit allowed under section 290.067, an individual taxpayer is allowed a  
1.10 credit against the tax due under this chapter equal to a percentage of amounts paid to a child  
1.11 care facility on behalf of a dependent child.

1.12 (b) The credit under paragraph (a) equals:

1.13 (1) for a child care facility with a quality rating of four stars as of December 31 of the  
1.14 taxable year, 150 percent of the amount paid to a child care facility on behalf of a dependent  
1.15 child, up to \$1,050 for one child and up to \$2,100 for two or more children;

1.16 (2) for a child care facility with a quality rating of three stars as of December 31 of the  
1.17 taxable year, 100 percent of the amount paid to a child care facility on behalf of a dependent  
1.18 child, up to \$850 for one child and up to \$1,700 for two or more children;

1.19 (3) for a child care facility with a quality rating of two stars as of December 31 of the  
1.20 taxable year, 50 percent of the amount paid to a child care facility on behalf of a dependent  
1.21 child, up to \$650 for one child and up to \$1,300 for two or more children; and

2.1 (4) for a child care facility with a quality rating of one star as of December 31 of the  
2.2 taxable year, 25 percent of the amount paid to a child care facility on behalf of a dependent  
2.3 child, up to \$500 for one child and up to \$1,000 for two or more children.

2.4 Subd. 2. Credit allowed for child care professionals. (a) An individual taxpayer who  
2.5 qualifies as a child care professional is allowed a credit against the tax due in this chapter.  
2.6 An individual claiming the credit under this subdivision may only claim a credit for  
2.7 employment at one child care facility for the taxable year.

2.8 (b) The credit under paragraph (a) equals:

2.9 (1) \$500 for a child care professional with a career lattice step level equivalent to a child  
2.10 development associate as of December 31 of the taxable year;

2.11 (2) \$1,500 for a child care professional with a career lattice step level that represents an  
2.12 associate's degree as of December 31 of the taxable year; and

2.13 (3) \$3,000 for a child care professional with a career lattice step level that represents a  
2.14 bachelor's degree as of December 31 of the taxable year.

2.15 Subd. 3. Credit allowed for child care providers. (a) A taxpayer who qualifies as a  
2.16 child care provider is allowed a credit against the tax due under this chapter.

2.17 (b) The credit under paragraph (a) equals the average monthly number of children who  
2.18 are not yet enrolled in kindergarten and are homeless, in foster care, or in need of child  
2.19 protective services in a taxable year and who are attending a child care facility or facilities  
2.20 operated by the child care provider, multiplied by an amount based upon the quality rating  
2.21 of each child care facility operated by the child care provider as follows:

2.22 (1) \$2,000 per child for a child care facility with a quality rating of four stars;

2.23 (2) \$1,500 per child for a child care facility with a quality rating of three stars;

2.24 (3) \$1,000 per child for a child care facility with a quality rating of two stars; and

2.25 (4) \$500 per child for a child care facility with a quality rating of one star.

2.26 (c) The credit under this subdivision is limited to taxpayers who did not claim the credit  
2.27 under subdivision 2.

2.28 Subd. 4. Definitions. (a) For purposes of this section, the following terms have the  
2.29 meanings given them.

2.30 (b) "Career lattice step" means the qualification level assigned to a child care professional  
2.31 on Develop, the Minnesota quality improvement and registry tool.

3.1 (c) "Child" or "children" means individuals up to and including five years of age.

3.2 (d) "Child care facility" means any entity with a quality rating of at least one star during  
3.3 the taxable year for which the credit under this section is claimed.

3.4 (e) "Child care professional" means an individual who has:

3.5 (1) obtained a career lattice step level of six or greater; and

3.6 (2) been employed at the same licensed child care facility for at least six months of the  
3.7 taxable year in which the credit is claimed.

3.8 (f) "Child care provider" means an individual or corporate taxpayer who owns or operates  
3.9 a child care facility or facilities.

3.10 (g) "Quality rating" means the rating awarded to a child care facility by the Department  
3.11 of Human Services pursuant to section 124D.142.

3.12 Subd. 5. **Allocation for nonresidents and part-year residents.** For a nonresident or  
3.13 part-year resident, the credit determined under this section must be allocated based on the  
3.14 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

3.15 Subd. 6. **Credit refundable for child care professionals and child care providers;**  
3.16 **carryforward provisions.** (a) If the amount of total credits that a child care professional  
3.17 or child care provider is eligible to receive under subdivision 2 or 3 exceeds the claimant's  
3.18 tax liability under this chapter, the commissioner must refund the excess to the claimant.

3.19 (b) For all other taxpayers claiming a credit under this section, if the amount of total  
3.20 credits that the claimant is eligible to receive under this section exceeds the claimant's tax  
3.21 liability under this chapter, the excess is a credit carryforward for up to five years. The entire  
3.22 amount of the carryforward is carried over to the earliest tax year to which the carryforward  
3.23 may be carried, and then to each succeeding year to which the carryforward may be carried.

3.24 Subd. 7. **Partnerships; multiple owners.** (a) Credits allowed to a partnership, limited  
3.25 liability company taxed as a partnership, corporation, or multiple owners of property are  
3.26 passed through to the partners, members, shareholders, or owners, respectively, pro rata to  
3.27 each partner, member, shareholder, or owner based on that person's share of the entity's  
3.28 income for the taxable year.

3.29 (b) For a corporation that is a partner in a partnership, the credit allowed for the taxable  
3.30 year is limited to the lesser of the amount determined for the taxable year or an amount,  
3.31 separately computed with respect to the corporation's interest in the trade, business, or entity,

4.1 equal to the amount of tax attributable to that portion of taxable income that is allocable or  
4.2 apportionable to the corporation's interest in the trade, business, or entity.

4.3 Subd. 8. **Appropriation.** An amount sufficient to pay the refunds authorized under this  
4.4 section is appropriated annually to the commissioner from the general fund.

4.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.6 31, 2018.