



FISCAL NOTE

House Bill 381

Committee: Ways and Means Education

Sponsor: Representative Reed Ingram

Analyst: Tiffany Weaver

Date: 04/09/2024

House Bill 381 as introduced would decrease receipts to the Education Trust Fund (ETF) and State General Fund beginning in Fiscal Year 2025 through Fiscal Year 2028 by a cumulative maximum of the caps provided below by creating the following tax credits which allow credits to be issued against a taxpayer's tax liability for certain "applicable taxes" (income tax, insurance premium tax, public utility license tax, and the state-portion of the financial institution excise tax):

- Employer tax credit: allows employers to claim a refundable, non-transferable tax credit against applicable taxes for certain eligible expenses regarding childcare facilities for up to 50% of the eligible expenses, up to \$12,000 per employee and 50 employees per employer; except in year's when the state unemployment rate is at or above 4.7%, in which case the credit shall equal the average of the prior credits received by the employer for the prior two years. Aggregate annual cap of \$15 million.
- Facility tax credit: allows certain childcare facilities participating in the Department of Human Resources (DHR) Quality Rating and Improvement System (QRIS) to claim a refundable, non-transferable tax credit against applicable taxes in an amount equal to the average monthly number of children who participate in the Child Care Subsidy Program multiplied by the dollar amount assigned to their QRIS Rating, ranging from \$1,000 per eligible child to \$2,000 per eligible child, up to \$25,000 per year for each child care facility. Aggregate annual cap of \$5 million.

This bill would also require the Department of Revenue to adopt rules to: (1) to prevent the tax credits created by this bill from reducing the distribution of tax proceeds to the Alabama Special Mental Health Trust Fund; and (2) reserve at least 25% of the credits for rural areas, with exceptions.



This bill would also create the Child Care Tax Credit Account within the ETF to fund any refunds due to credits claimed against income tax for the employer or facility tax credit from sales tax collections.