



FISCAL NOTE

House Bill 358

Committee: Ways and Means Education

Sponsor: Representative Anthony Daniels

Analyst: Tiffany Weaver

Date: 04/09/2024

House Bill 358 as introduced would decrease receipts to the Education Trust Fund (ETF) and State General Fund beginning in Fiscal Year 2025 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, up to \$1 million per year per employer. Aggregate annual caps for this credit:

Calendar Year	Amount
2025	\$15 million
2026	\$20 million
2027	\$25 million
2028	\$30 million
2029	\$35 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.
- Nonprofit childcare provider tax credit: allows taxpayers to claim a nonrefundable, nontransferable tax credit for cash contributions made to such providers, up to 50% of



the taxpayer's tax liability, and which may be carried forward for up to 5 years. Limited to \$500,000 per year for each nonprofit childcare provider or taxpayer. Aggregate annual cap of \$5 million.

This bill would also: (1) 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; and (2) require the Department of Finance to adopt rules to use any unencumbered funds to prevent the tax credits created by this bill from reducing the distribution of tax proceeds to the Alabama Special Mental Health Trust Fund.

In addition, this bill would increase DHR's administrative costs to: (1) enact rules and administer the provisions of this bill, including the reservation of at least 25% of employer and facility tax credits for rural areas; (2) approve nonprofit childcare providers for the nonprofit childcare provider tax credit; and (3) review annual reports on the disposition of funds. This bill would also increase the administrative obligations of the Department of Revenue to provide forms and to administer and award the employer and facility tax credits provided for by this bill.