FISCAL NOTE

Senate Bill 280

Committee: Finance and Taxation Education Sponsor: Senator Garlan Gudger

Analyst: Tiffany Weaver Date: 04/29/2024

Senate Bill 280 as introduced 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 (excluding freight line and equipment taxes), and the state-portion of the financial institution excise tax):

- Employer tax credit: allows employers to claim a non-transferable tax credit against applicable taxes for certain eligible expenses regarding childcare facilities for eligible expenses up to $1,000,000 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 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: (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 obligations to: (1) enact rules and administer the nonprofit childcare grant program created by this bill, which is limited to $50,000 per year for a nonprofit child care provider with an aggregate annual cap of $5 million; and (2) enter into a memorandum of understanding with the Department of Revenue to provide information to administer the facility tax credit. This bill would also increase the administrative obligations of the Department of Revenue to: (1) enact rules and administer the employer tax credit and the facility tax credit; (2) reserve at least 25% of employer and facility tax credits for rural areas; and (3) provide forms and award the employer and facility tax credits provided for by this bill.