

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Home Day Care Federal Nutrition Program Reimbursement Subtraction

March 19, 2007

Department of Revenue
Analysis of S.F. 1776 (Larson) / H.F. 2071 (Simon)

	Yes	No
DOR Administrative Costs/Savings		X

	<u>Fund Impact</u>			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
General Fund	(\$2,390)	(\$2,480)	(\$2,580)	(\$2,680)

Effective beginning with tax year 2007.

EXPLANATION OF THE BILL

For the purposes of the individual income tax, this bill would allow home day care providers a subtraction from taxable income for reimbursements paid under a federal nutrition program.

The federal Child and Adult Care Food Program (CACFP) provides meals and snacks for low-income children who receive care in child care centers, home day care facilities, afterschool care programs, and emergency shelters. Home day cares may be approved to claim up to two reimbursable meals (breakfast, lunch, or supper) and one snack, or two snacks and one meal, for each eligible participant per day. Reimbursement rates for the day care providers are broken into two tiers. Tier I day care homes are those that are located in low-income areas, or those in which the provider's household income is at or below 185% of the federal income poverty guidelines. Tier II homes are those family day care homes which do not meet the location or provider income criteria for a Tier I home.

REVENUE ANALYSIS DETAIL

- According to the Minnesota Department of Education, during federal fiscal year 2006, there were 9,800 home day care providers participating in CACFP. Reimbursements issued for all meals and snacks totaled \$38,400,000.
- A reimbursement growth rate of 3% was assumed.
- A population growth rate of 0.8% was assumed.
- A marginal tax rate of 6% was assumed.
- Tax year impact was allocated to the following fiscal year.

Number of Taxpayers: Approximately 9,800 home day care providers.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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