

###  INDIVIDUAL INCOME TAX

###  Childcare Professional Credit

###

April 9, 2021

|  |  |  |
| --- | --- | --- |
|  | **Yes** | **No** |
| **DOR Administrative Costs/Savings** | **X** |  |

 ***Revised to Correct Estimate***

Department of Revenue

Analysis of S.F. 934 (Nelson) As Proposed to be Amended (SCS0934A-1)

 **Fund Impact**

  **F.Y. 2022 F.Y. 2023 F.Y. 2024 F.Y. 2025**

(000’s)

General Fund ($9,600) ($20,300) ($31,300) ($32,300)

Effective beginning tax year 2021.

**EXPLANATION OF THE BILL**

**Proposed Law:** The bill creates a new refundable income tax credit for childcare professionals.

Eligible childcare professionals may claim a credit against the individual income tax. The amount of credit depends on the career lattice step of the professional and is indexed for inflation annually with 2021 as the statutory year. The tax year 2021 credit amounts are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Development Associate (steps 6-8) | Associate’s degree(step 9) | Bachelor’s degree(step 10) |
| Credit Amount | $1,000 | $2,500 | $3,000 |

Eligible childcare professionals include individuals who have a career lattice step level of six or greater and have been employed at the licensed facility for at least six months of the taxable year.

**REVENUE ANALYSIS DETAIL**

* About 10,800 childcare professionals would be eligible for the credit if in effect in tax year 2018, according to data from DHS. The credit was assigned based on each professional’s lattice level.
* Tax year impacts were allocated to the following fiscal year.
* A 3% growth rate is assumed. Take-up in the new credit was phased in over three years.

**Number of Taxpayers:** About 4,000 returns are expected to claim the credit in 2021. Once fully phased in, about 12,600 professionals are expected to claim the credit each year.

 Minnesota Department of Revenue

 Tax Research Division

 <https://www.revenue.state.mn.us/revenue-analyses>

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