

SENATE BILL No. 239

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-34; IC 12-17.2-2-14.

Synopsis: Tax credit for quality child care. Establishes the paths to quality income tax credit. Provides that an individual is entitled to a refundable income tax credit for each dependent child of the individual attending a child care facility that voluntarily participates in the paths to quality rating system (qualified child care facility) and that has a quality rating of level 2 or higher. Provides that the amount of the credit is based on the number of months the dependent child attends the qualified child care facility and the quality rating of the qualified child care facility. Requires the division of family resources to adopt rules to administer the paths to quality rating system.

Effective: Upon passage; January 1, 2014.

Holdman

January 7, 2013, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session 118th General Assembly (2013)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2012 Regular Session of the General Assembly.

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SENATE BILL No. 239



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-34 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2014]:

4 **Chapter 34. Paths to Quality Tax Credit**

5 **Sec. 1. As used in this chapter, "child care facility" means a:**

- 6 (1) child care center licensed under IC 12-17.2-4;
- 7 (2) child care home licensed under IC 12-17.2-5; or
- 8 (3) child care ministry licensed under IC 12-17.2-6.

9 **Sec. 2. As used in this chapter, "dependent child" means a child**
10 **less than six (6) years of age who:**

- 11 (1) qualifies as a dependent of a taxpayer (as defined in
- 12 Section 152 of the Internal Revenue Code); and
- 13 (2) is the natural or adopted child of the taxpayer or, if
- 14 custody of the child has been awarded in a court proceeding
- 15 to someone other than the mother or father, the court
- 16 appointed guardian or custodian of the child.

17 **If the parents of a child are divorced, a taxpayer under this section**



1 refers to the parent who is eligible to take the exemption for the
2 child under Section 151 of the Internal Revenue Code.

3 Sec. 3. As used in this chapter, "division" refers to the division
4 of family resources established under IC 12-13-1-1.

5 Sec. 4. As used in this chapter, "paths to quality program"
6 refers to the program established by IC 12-17.2-2-14.

7 Sec. 5. As used in this chapter, "qualified child care facility"
8 means a child care facility that voluntarily participates in the paths
9 to quality program.

10 Sec. 6. As used in this chapter, "qualified dependent child"
11 means a dependent child who attends a qualified child care facility
12 that receives a level 2 through level 4 quality rating.

13 Sec. 7. As used in this chapter, "quality rating" means the level
14 number awarded to a qualified child care facility under the quality
15 rating system.

16 Sec. 8. As used in this chapter, "quality rating system" means
17 the quality rating system established by the division under
18 IC 12-17.2-2-14(c).

19 Sec. 9. As used in this chapter, "state tax liability" means a
20 taxpayer's total tax liability that is incurred under IC 6-3-1
21 through IC 6-3-7 (the adjusted gross income tax), as computed
22 after the application of the credits that under IC 6-3.1-1-2 are to be
23 applied before the credits provided in this chapter.

24 Sec. 10. As used in this chapter, except as provided in section 2
25 of this chapter, "taxpayer" means an individual.

26 Sec. 11. (a) Each taxable year, a taxpayer is entitled to credit
27 against the taxpayer's state tax liability for each qualified
28 dependent child of the taxpayer who regularly attends a qualified
29 child care facility during the taxpayer's taxable year if the
30 qualified child care facility has a quality rating of level 2, level 3,
31 or level 4. If the amount of the credit provided by this section to a
32 taxpayer during a particular taxable year exceeds the sum of the
33 taxes imposed on the taxpayer under IC 6-3 for the taxable year
34 after the application of all credits that under IC 6-3.1-1-2 are to be
35 applied before the credit provided by this chapter, the excess shall
36 be returned to the qualifying taxpayer as a refund.

37 (b) The amount of the credit to which a taxpayer is entitled for
38 each qualified dependent child equals the STEP TWO total in the
39 following formula:

40 STEP ONE: For each month in which the qualified dependent
41 child attends the qualified child care facility for at least one
42 hundred (100) hours, determine the monthly credit amount

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1 under subsection (c) based on the quality rating of the
2 qualified child care facility for that month.

3 **STEP TWO: Determine the sum of the amounts calculated**
4 **under STEP ONE for each month during the taxpayer's**
5 **taxable year.**

6 (c) The monthly credit amount for a qualified dependent child
7 who attends a qualified child care facility at least one hundred
8 (100) hours during that month equals the following:

9 (1) If the qualified dependent child attends a qualified child
10 care facility with a quality rating of level 4, thirty-two dollars
11 (\$32).

12 (2) If the qualified dependent child attends a qualified child
13 care facility with a quality rating of level 3, twenty-five
14 dollars (\$25).

15 (3) If the qualified dependent child attends a qualified child
16 care facility with a quality rating of level 2, sixteen dollars
17 (\$16).

18 The quality rating for a qualified child care facility for the month
19 in which the quality rating for the facility changes is the lower
20 quality rating assigned to the qualified child care facility during
21 that month.

22 **Sec. 12. Not later than January 15 of each year, the division**
23 **shall send a letter to each qualified child care facility certifying the**
24 **quality rating awarded to the qualified child care facility for each**
25 **month during the previous calendar year.**

26 **Sec. 13. To receive a credit under section 11 of this chapter, a**
27 **taxpayer must claim the credit on the taxpayer's annual state tax**
28 **return or returns in the manner prescribed by the department. The**
29 **taxpayer shall submit to the department all information that the**
30 **department determines is necessary to validate eligibility and**
31 **calculate a credit provided under section 11 of this chapter.**

32 **Sec. 14. The department, with the advice of the division, shall**
33 **adopt rules under IC 4-22-2 to administer this chapter.**

34 SECTION 2. IC 12-17.2-2-14 IS ADDED TO THE INDIANA
35 CODE AS A NEW SECTION TO READ AS FOLLOWS
36 [EFFECTIVE UPON PASSAGE]: **Sec. 14. (a) As used in this section,**
37 **"program" refers to the paths to quality program established by**
38 **subsection (b).**

39 (b) The paths to quality program is established. The program is
40 a voluntary child care facility quality rating and improvement
41 system implemented by the division in partnership with the
42 following organizations:

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- 1 **(1) Indiana Association for the Education of Young Children.**
- 2 **(2) Indiana Association for Child Care Resource and Referral.**
- 3 **(3) Indiana Head Start Collaboration Office.**
- 4 **(4) Indiana Department of Education.**
- 5 **(5) Early Childhood Alliance.**
- 6 **(6) 4 C's of Southern Indiana.**
- 7 **(c) The program shall use four (4) levels at which a child care**
- 8 **facility participating in the program may be rated, with level 4**
- 9 **indicating the highest level of quality child care.**
- 10 **(d) The division shall adopt rules under IC 4-22-2 to administer**
- 11 **the paths to quality program rating system. The rules must include**
- 12 **procedures that outline eligibility and application procedures for**
- 13 **the program, the establishment of procedures relating to the rating**
- 14 **process, and the establishment or alteration of standards used in**
- 15 **the rating process.**
- 16 **(e) The division shall adopt rules under IC 4-22-2 to establish**
- 17 **the steering council of the program to make recommendations to**
- 18 **the division on program issues and resources. Rules adopted under**
- 19 **this subsection must require that council members be appointed**
- 20 **from partner organizations that assist in the implementation of the**
- 21 **program and serve to coordinate the project plan.**
- 22 **SECTION 3. An emergency is declared for this act.**

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