



February 22, 2013

SENATE BILL No. 239

DIGEST OF SB 239 (Updated February 19, 2013 1:53 pm - DI 58)

Citations Affected: IC 6-3.1; IC 12-17.2.

Synopsis: Tax credit for quality child care. Establishes the paths to quality income tax credit. Provides that an individual is entitled to a nonrefundable 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, Head

January 7, 2013, read first time and referred to Committee on Tax and Fiscal Policy.
February 21, 2013, amended, reported favorably — Do Pass.

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SB 239—LS 6530/DI 116+



February 22, 2013

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 or registered under**
9 **IC 12-17.2-6.**

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

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

SB 239—LS 6530/DI 116+



1 If the parents of a child are divorced, a taxpayer under this section
2 refers to the parent who is eligible to take the exemption for the
3 child under Section 151 of the Internal Revenue Code.

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

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

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

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

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

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

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

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

27 Sec. 11. (a) Each taxable year, a taxpayer is entitled to credit
28 against the taxpayer's state tax liability for each qualified
29 dependent child of the taxpayer who regularly attends a qualified
30 child care facility during the taxpayer's taxable year if the
31 qualified child care facility has a quality rating of level 2, level 3,
32 or level 4. A taxpayer is not entitled to a carryover, carryback, or
33 refund of an unused credit.

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

37 STEP ONE: For each month in which the qualified dependent
38 child attends the qualified child care facility for at least one
39 hundred (100) hours, determine the monthly credit amount
40 under subsection (c) based on the quality rating of the
41 qualified child care facility for that month.

42 STEP TWO: Determine the sum of the amounts calculated

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- 1 under STEP ONE for each month during the taxpayer's
2 taxable year.
- 3 (c) The monthly credit amount for a qualified dependent child
4 who attends a qualified child care facility at least one hundred
5 (100) hours during that month equals the following:
- 6 (1) If the qualified dependent child attends a qualified child
7 care facility with a quality rating of level 4, twenty dollars
8 (\$20).
- 9 (2) If the qualified dependent child attends a qualified child
10 care facility with a quality rating of level 3, fifteen dollars
11 (\$15).
- 12 (3) If the qualified dependent child attends a qualified child
13 care facility with a quality rating of level 2, five dollars (\$5).
- 14 The quality rating for a qualified child care facility for the month
15 in which the quality rating for the facility changes is the lower
16 quality rating assigned to the qualified child care facility during
17 that month.
- 18 Sec. 12. Not later than January 15 of each year, the division
19 shall send a letter to each qualified child care facility certifying the
20 quality rating awarded to the qualified child care facility for each
21 month during the previous calendar year.
- 22 Sec. 13. To receive a credit under section 11 of this chapter, a
23 taxpayer must claim the credit on the taxpayer's annual state tax
24 return or returns in the manner prescribed by the department. The
25 taxpayer shall submit to the department all information that the
26 department determines is necessary to validate eligibility and
27 calculate a credit provided under section 11 of this chapter.
- 28 Sec. 14. The department, with the advice of the division, shall
29 adopt rules under IC 4-22-2 to administer this chapter.
- 30 SECTION 2. IC 12-17.2-2-14 IS ADDED TO THE INDIANA
31 CODE AS A NEW SECTION TO READ AS FOLLOWS
32 [EFFECTIVE UPON PASSAGE]: Sec. 14. (a) As used in this section,
33 "program" refers to the paths to quality program established by
34 subsection (b).
- 35 (b) The paths to quality program is established. The program is
36 a voluntary child care facility quality rating and improvement
37 system implemented by the division in partnership with the
38 following organizations:
- 39 (1) Indiana Association for the Education of Young Children.
40 (2) Indiana Association for Child Care Resource and Referral.
41 (3) Indiana Head Start Collaboration Office.
42 (4) Indiana Department of Education.



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

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COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 239, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, line 8, after "licensed" and insert "**or registered**".

Page 2, line 31, delete "If the amount of the credit provided by this section to a" and insert "**A taxpayer is not entitled to a carryover, carryback, or refund of an unused credit.**".

Page 2, delete lines 32 through 36.

Page 3, line 10, delete "thirty-two dollars" and insert "**twenty dollars (\$20).**".

Page 3, delete line 11.

Page 3, line 13, delete "twenty-five" and insert "**fifteen dollars (\$15).**".

Page 3, delete line 14.

Page 3, line 16, delete "sixteen dollars" and insert "**five dollars (\$5).**".

Page 3, delete line 17.

and when so amended that said bill do pass.

(Reference is to SB 239 as introduced.)

HERSHMAN, Chairperson

Committee Vote: Yeas 9, Nays 3.

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