

REVENUE: Revenue statement issued

FISCAL: Minimal fiscal impact; no statement issued

Action: Do pass as amended and be printed engrossed
Vote: 8-0-1
Yeas: Berger, Bruun, Butler, Gelser, Olson, Read, Witt, Barnhart
Nays:
Exc.: Rosenbaum
Prepared By: Chris Allanach, Economist
Meeting Dates: 5/3, 5/24, 5/31

WHAT THE BILL DOES: Expands the Working Family Child Care credit to taxpayers who incur child care expenses because their spouse's disability prevents him or her from providing child care, being employed, or attending school. Defines 'disability' as a physical or cognitive condition that results in a person requiring assistance with the activities of daily living. Allows the Department of Revenue to require a physician verify the existence of the disability and its severity. Applies to tax years beginning on or after January 1, 2007. Sunsets the Working Family Child Care credit as of January 1, 2014.

ISSUES DISCUSSED:

- Intended target group of taxpayers
- Definition of 'disability'
- As per Committee rules, the following metrics were adopted for evaluating this credit:
 - The number of individuals who apply for and receive the credit
 - The number of children who receive child care as a result of the credit

EFFECT OF COMMITTEE AMENDMENTS: Defines 'disability'. Clarifies the group of taxpayers targeted by the expansion of the credit. Sunsets to the credit.

BACKGROUND: The Working Family Child Care credit was created by the Legislature in 1997 and current law requires the taxpayer to be gainfully employed, seeking employment, or attending school to qualify for the credit. The taxpayer must have a minimum amount of earned income (at least \$7,100 in 2006) and a limited amount of unearned income (no more than \$2,800 in 2006) to qualify. The credit is phased out for income between 200 percent and 250 percent of the federal poverty level. The Legislature made the credit refundable beginning in 2003. In tax year 2005, roughly 26,500 full-year filers claimed and used a total of \$21.7 million in credits (an average of \$817).