

REVENUE: Revenue statement issued

FISCAL: Minimal fiscal impact; no statement issued

Action: Do pass with amendments to the A engrossed bill and be printed engrossed

Vote: 4-0-1

Yeas: G. George, Monroe, Starr, Deckert

Nays:

Exc.: Burdick

Prepared By: Chris Allanach, Economist

Meeting Dates: 6/21, 6/22

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. Grants the Department of Revenue rule making authority with respect to a taxpayer's claim of disability in conjunction with this credit. Resolves potential conflicts should HB 3201 become law.

ISSUES DISCUSSED:

- Intended target group of taxpayers
- 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: Grants the Department of Revenue rule making authority with respect to a taxpayer's claim of disability in conjunction with this credit. Resolves potential conflicts should HB 3201 become law.

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).

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This summary has not been adopted or officially endorsed by action of the committee.