

BILL ANALYSIS

Senate Research Center

S.B. 282
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Tax Reform and Public School Finance
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DIGEST

By some accounts there is currently an increased demand for child care services as a result of changes at both the federal and state level regarding work requirements for public assistance eligibility. As a result of these changes, greater encouragement of private-sector involvement may be needed in hiring welfare recipients and developing child care facilities to meet employees' needs. This bill would offer a tax credit as an incentive for any corporation that establishes and operates a day-care center for children of employees or that purchases child-care services for employees. S.B. 282 would offer an additional incentive in the form of a tax credit to an employer who hires any person who is receiving child-care services under Chapter 31, Human Resource Code, and from the corporation.

PURPOSE

As proposed, S.B. 282 provides tax credits to corporations that provide a day-care center and day-care services to the children of their employees.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 171, Tax Code, by adding Chapters N and O, as follows:

SUBCHAPTER N. TAX CREDIT FOR ESTABLISHING DAY-CARE CENTER OR PURCHASING CHILD-CARE SERVICES

Sec. 171.701. DEFINITION. Defines "day-care center."

Sec. 171.702. CREDIT. Provides that a corporation that meets the eligibility requirements under this subchapter is entitled to a credit in the amount allowed by this subchapter against the tax imposed under this chapter.

Sec. 171.703. CREDIT FOR DAY-CARE CENTER AND PURCHASED CHILD CARE. Authorizes a corporation to claim a credit under this subchapter only for a qualifying expenditure relating to specific purchases made in relation to providing child care services. Sets forth expenditures included in a qualifying expenditure. Provides that if the corporation shares in the cost of establishing and operating a day-care center, the corporation is entitled to a credit for the qualifying expenditures made by that corporation. Prohibits the total credit claimed under this subchapter and Subchapter O, if a corporation is also eligible for a credit under Subchapter O, from exceeding \$30,000.

Sec. 171.704. APPLICATION FOR CREDIT. Requires a corporation to apply for a credit under this subchapter on or with the tax report for the period for which the credit is claimed. Requires the corporation to include proof that child-care services were actually provided to the children of employees in order to claim a credit for a qualifying expenditure. Requires the comptroller to adopt a form for the application for the credit.

Sec. 171.705. PERIOD FOR WHICH CREDIT MAY BE CLAIMED. Authorizes a corporation to claim a credit under this subchapter for qualifying expenditures made during an accounting period only against the tax owed for the corresponding reporting period. Prohibits a corporation from claiming a credit in an amount that exceeds the amount of tax due for the report.

Sec. 171.706. ASSIGNMENT PROHIBITED. Prohibits a corporation from conveying, assigning, or transferring the credit allowed under this subchapter to another entity unless all of the assets of the corporation are conveyed, assigned, or transferred in the same transaction.

SUBCHAPTER O. TAX CREDIT FOR HIRING CERTAIN EMPLOYEES

Sec. 171.751. DEFINITIONS. Defines "day-care center" and "wages."

Sec. 171.752. CREDIT. Makes a conforming change.

Sec. 171.753. CREDIT FOR WAGES PAID TO ELIGIBLE EMPLOYEE. Sets forth the terms of eligibility for a credit under this subchapter for a corporation. Authorizes the corporation to claim a credit for wages paid to an employee who meets certain criteria. Sets forth the limit of the amount of the credit per employee. Prohibits the total credits claimed under this subchapter from exceeding \$30,000 per reporting period. Makes conforming changes.

Sec. 171.754. APPLICATION FOR CREDIT. Requires a corporation to apply for a credit under this subchapter on or with the tax report for the period for which the credit is claimed. Requires the corporation to include with the application a written certification from the appropriate state agency responsible for certification that the employee is a recipient of child-care services under Chapter 31, Human Resources Code, on or immediately before the date the employee begins employment with the corporation. Makes conforming changes.

Sec. 171.755. PERIOD FOR WHICH CREDIT MAY BE CLAIMED. Authorizes a corporation to claim a credit under this subchapter for wages paid or incurred during an accounting period only against the tax owed for the corresponding reporting period.

Sec. 171.756. ASSIGNMENT PROHIBITED. Makes a conforming change.

SECTION 2. Makes application of this Act prospective to January 1, 1998.

SECTION 3. Emergency clause.
Effective date: upon passage.