CCEC Administrative Rule Briefing

Title/OAR #: Child Care Contribution Tax Credit 414-700-0000 – 414-700-0090
Date: 7/19/2016
Program Name: Child Care Contribution Tax Credits
Staff/Office: Sandy Gorsage/Office of Child Care
Statutory Authority: ORS 315.213, 329A.703, 329A.706, 329A.712

☐ **Temporary Rule** ☐ **New Rule** ☒ **Amend Existing Rule** ☐ **Repeal Rule**
Prompted by: ☒ **State law changes** ☐ **Federal law changes** ☐ **Other**

Last Revised: November 2014

Action Requested:
☐ **Adoption of Temporary Rule** ☒ **Adoption of Final Rule**

Program Summary:
In 2003, the state legislature enacted the Oregon Child Care Contribution Tax Credit to improve the quality of child care programs through education awards and quality improvement grants. By making a contribution to the program, taxpayers receive an Oregon state tax credit of 50 cents for each dollar contributed. The Child Care Contribution Tax Credit has a sunset date of January 1, 2022 and is capped at $500,000 per year. It has an allowable credit not to exceed the lesser of 50 percent of the amount contributed in the tax year or the tax liability of the taxpayer for the tax period in which the credit is claimed.

Funds from contributions are disbursed to licensed providers engaged in the Quality Rating and Improvement System Commitment to Quality (C2Q) and star levels. Supported activities include quality improvement dollars for center and family-based care facilities and professional recognition awards for individuals within the early learning workforce. Additional language will be provided at the August meeting that describes past and current contributions and disbursements.

Eligible Population: Oregon individuals or corporations that make qualifying contributions.

Population Served: Licensed child care facilities and the early learning workforce.

Stakeholders Impacted: Individual taxpayers and corporations that make qualifying contributions, licensed facilities and individuals that receive financial support to make quality improvements, and Oregon's children enrolled in high quality child care programs.

Stakeholders Consulted: Stakeholders will be contacted as part of the Child Care and Education Committee rule advisory committee process.

List of Other Interested parties: None at this time.

Need for Rule: During the 2015 legislative session, the Oregon Legislature amended the Child Care Contribution Tax Credit. HB 2171 made several changes to the tax credit program. The Council needs to adopt new rules and revise existing rules to reflect the statutory changes.

Policy matters or questions to be addressed: HB 2171 included rulemaking authority for the Council to adopt rules for disbursement of revenues to child care providers, and to establish the proportion of distributions to best promote high quality child care.

Other revisions and additions to rules are in the areas of:

- Removing all language referencing community agencies, application and renewal processes for community agencies and distribution of funds though community agencies.
- Removing all language referencing Tax Credit marketer.
- Other Policy areas to be identified.

Fiscal Impact: *[to stakeholders impacted, to small business (defined as a business that is independently owned and operated with 50 or fewer employees) or to local government.]* Contributions decrease tax payer liability for federal and state taxes, which decreases general fund revenues at both levels. In addition, HB 2171 statutorily limited the amount that can be claimed against a taxpayer's liability to 50 percent. Until passage of HB 2171 in 2015, the amount was set by the Early Learning Council by rule.

Equity Analysis:

Who are the racial/ethnic and underserved groups affected? To be determined through CCEC deliberations and analysis of recommended rule language.

Do the proposed rules ignore or worsen existing disparities or produce other unintended consequences? To be determined through CCEC deliberations and analysis of recommended rule language.

What is the impact of the rules on eliminating the opportunity gap? To be determined through CCEC deliberations and analysis of recommended rule language.

What are the barriers to more equitable outcomes *(e.g., mandated, political, emotional, financial, programmatic or managerial)*? To be determined through CCEC deliberations and analysis of recommended rule language.

How have you intentionally involved stakeholders who are also member of the communities affected? Letters have been sent to contributors on the legislative changes and community stakeholders will be invited to participate in the CCEC rule advisory committee discussions on draft concepts and administrative rule development.

How will you modify or enhance strategies and rules to ensure each learner and communities' individual and cultural needs are met? To be determined through CCEC deliberations and analysis of recommended rule language.