CCEC Administrative Rule Briefing

Title/OAR #: Child Care Contribution Tax Credit /414-700-0000 – 414-700-0090
Date: October 5, 2017
Program Name: Child Care Contribution Tax Credit
Staff/Office: Sandy Gorsage, Office of Child Care, Lisa Pinheiro, Policy Analyst
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. If the Early Learning Division reaches the maximum cap of $500,000 in contributions, proceeds will be $1,000,000.

Past and present contributions have been disbursed in two ways; 1) directly into the hands of small business owners or tax payers who work in the field of early learning by way of Education Awards, and 2) 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. Less than three percent of tax credit dollars have been spent on administration of the program.

*Note: Both tax credit dollars and Child Care Development Fund (CCDF) funds have been used to support Education Awards and the Quality Rating Improvement System (QRIS) supports and incentives.

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, Oregon's children enrolled in high quality child care programs, and the early learning workforce.

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 2017 legislative session, the Oregon Legislature amended the Child Care Contribution Tax Credit. HB 3066 provided technical fixes to the statutes governing administration of the tax credit. The bill removed erroneous statutory language and added language that reflects the strategies identified through the demonstration projects. Legislation passed in 2015 limits the amount that can be claimed against a taxpayer's liability to 50 percent. Prior to passage of HB 2171 in 2015, the amount was set by the Early Learning Council by rule.

Policy matters or questions to be addressed: The enabling statute includes authority for the Council to adopt rules to establish criteria to be met by providers to receive funds.

Other revisions and additions to rule are as follows:

- Remove all language referencing community agencies, application and renewal processes for community agencies and distribution of funds though community agencies.
- Remove all language referencing a Tax Credit marketer.
- Other policy areas to be identified by CCEC and Council.

Fiscal Impact:

Contributions decrease tax payer liability for federal and state taxes, which decreases general fund revenues at both levels. The 50 percent cap on credits claimed established in 2015 also reduces the percentage of the contribution that can be claimed as credit against contributors' tax liability. However, lowering the credit cap increases the amount the Office of Child Care can accept in contributions from $666,667.00 to $1 million.

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. 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.