

**DEPARTMENT OF TAXATION  
2004 Fiscal Impact Statement**

**1. Patron** Viola O. Baskerville

**2. Bill Number** HB 839

**3. Committee** House Finance

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

**4. Title** Income Tax: Changes to the Day-Care  
Facility Investment Tax credit

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

**5. Summary/Purpose:**

This bill would expand the Day-Care Facility Investment Tax Credit to permit employers to claim the credit for the day-to-day operating expenses of day-care facilities used primarily by the children of the taxpayer's employees. In addition, this bill removes the annual credit cap of \$100,000.

This bill is effective for taxable years beginning on or after January 1, 2005.

**6. Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

The General Fund revenue impact associated with this bill is unknown but would likely result in a revenue loss. Since its inception, there have been no day-care facility investment credits approved by the Tax Commissioner. The Department would incur minimal administrative costs to implement this bill.

**9. Specific agency or political subdivisions affected:**

Department of Taxation  
Department of Social Services

**10. Technical amendment necessary:** No.

## 11. Other comments:

### Background

In 1996, the General Assembly enacted an investment tax credit for any employer who establishes a licensed child day-care center primarily for the children of employees. The credit is equal to 25% of the cost of the facility up to \$25,000. The maximum amount of credits that can be approved in any fiscal year is limited to \$100,000.

Currently, the day-care facility investment tax credit is for expenditures paid or incurred for planning, site preparation, construction, renovation, or acquisition of facilities for the purpose of establishing a child day-care facility to be used primarily by the children of such taxpayer's employees. In addition, the credit is for equipment installed for permanent use within or immediately adjacent to such facility, including kitchen appliances, to the extent that such equipment or appliances are necessary in the use of such facility for purposes of child day-care.

### Proposal

This bill would expand the Day-Care Facility Investment Tax Credit to permit an employer to claim the credit for expenditures for the day-to-day operation of a day-care facility used primarily by the children of the taxpayer's employees. This bill would also remove the annual credit cap of \$100,000. The maximum credit an employer could claim in a taxable year would remain at \$25,000.

cc : Secretary of Finance