

Transcript of Child Care Tax Credit – Facilities Tax Webinar January 30, 2025

Link to AL Department of Revenue – My Alabama Taxes

- Child Care Facility Tax Credit - <https://www.revenue.alabama.gov/tax-incentives/childcare-facility-tax-credit/>
- Procedures for Child Care Facility Tax Credit - <https://www.revenue.alabama.gov/tax-incentives/procedures-for-childcare-facility-tax-credit/>
- Employer Tax Credit - <https://www.revenue.alabama.gov/tax-incentives/employer-tax-credit/>

VOICES for AL Children: It will begin at 2 o'clock. It's about 1:56, and so we're going to wait just a few more minutes before we get started. Thank you for being with us.

Good afternoon and thank you so much for being with us. I'm going to ask everyone, please leave your audio and video off during the presentation. We're going to have several speakers so, I'm not able to control everybody's audio and video so please leave these off during presentation.

VOICES for AL Children: Waiting on Kim Cochran with the Women's Foundation, and we'll get started, and there she is.

VOICES for AL Children: So, I just want to say good afternoon and thank you so much for spending some time with us today. Our discussion today is going to be on the child care tax credit. Specifically, we will be discussing the Facilities portion of this bill. That's the only thing we're going to be discussing today. We want to keep your comments or questions to that subject.

If you have questions during the presentation, please put those in the chat. We will share your questions at the end of the presentation.

VOICES for AL Children: My name is Rhonda Mann. I'm the Executive Director of VOICES for Alabama's Children. Again. We're delighted that you're participating in this informational webinar today, and we hope you plan to participate in the tax credit program as well.

VOICES for AL Children: Voices would like to take this opportunity to thank the Women's Foundation for their financial support and co-hosting the webinar, but also the hard work that they did the last two years in getting a Child Care tax Credit Bill passed.

VOICES for AL Children: We were very happy to be able to work with them, but they did the heavy lifting and we just appreciate that so much.

VOICES for AL Children: Today's webinar will be recorded, and we will be posting those links on the websites of both VOICES' and Women's Foundation.

Again, your audio and your videos have been turned off on purpose. Please leave them off during this webinar.

VOICES for AL Children: At this time, I'll turn it over to Kim. Thank you so much, Kim, for being with us.

Kim Cochran: Absolutely. Thank you. Rhonda and we appreciate VOICES hosting this webinar today. Good afternoon, everyone. My name is Kim Cochran, and I am with Women's Foundation of Alabama. I want to thank you for attending today's webinar. I know we've got a big group, and we're glad that you're here. This is part of the educational component that Women's Foundation has been working on really, since the bill passed last May.

Kim Cochran: We're really excited about this child care tax credit. This is one tool that we believe can help women and families across our State enter and remain in the workforce. We know families are struggling to find child care right now, and employers around the State are struggling to find employees. So we hope this will aid in our State's workforce development by encouraging more companies to offer child care and more child care facilities to increase their capacity and quality through QRIS.

Kim Cochran: So child care, particularly in the context of workforce, is critical to our State, and we are thankful that the legislature recognized the importance of child care, and decided to address it in last year's legislative session.

Kim Cochran: Passage of this bill was the result of a strong collaborative effort between Women's Foundation, Manufacture Alabama, the BCA (Business Council of Alabama) and many others across the State, and we're grateful for their partnership and appreciate the collaborative effort with which this bill was passed.

Kim Cochran: Leader, Anthony Daniels, in the House, and Senator Garland Gudger in the Senate, worked tirelessly to get this bill over the finish line. We applaud their willingness to go to bat on an issue that is critical to so many.

Kim Cochran: Governor Ivey signed it into law just a few days after it passed. Actually, and I'd also be remiss if I didn't thank the Speaker of the House and the Lieutenant Governor for their efforts in seeing this through. This is, a really great example of good public policy. The Legislature did its part.

Kim Cochran: Advocates and organizations across the State supported it. However, the real work happens now, because it's only going to be as strong as its utilization rate. So, if it's to work the way it was intended, it has to be used. And that's why we're here today.

Kim Cochran: The Women's Foundation has put together a clearinghouse of information on our website, which is wfabama.org. And I'll put that in the chat, and you can find a lot of information pertinent to the credit, and we'll put this recording of this video up there as well. I'm also grateful for the Department of Revenue for their hard work and promulgating the rules for this credit. We have Preeti Gratz on this zoom call today, and she's going to answer questions with Susan after the presentation.

And, as Rhonda said, we are focused today on the child care facility part of the credit. And with that I'm going to turn it over to Susan Kennedy. Susan is a partner with Levitate legal consulting, and she is a Rock Star folks. She's a rock star in the Statehouse.

She's a rock star to me, certainly, and she's an expert on tax policy and legislative issues in general. She's a policy wonk, but in the very best sense, and we are forever grateful for her legal and legislative expertise, and the fact that she cares so deeply about this work. Susan, with that I'm going to turn it over to you.

Susan Kennedy: Thanks Kim and thank you Rhonda, for including me today on this webinar I'm going to go through a presentation for everybody. And if you guys would, like Rhonda said, just put your questions in

the chat. There's somebody that's going to monitor that chat for us during the presentation, so we'll get to. I think we can get to all of them. Surely there won't be that many, but Preeti, and I have done this before, and we do a pretty good job at tag teaming the questions, hopefully. We'll be able to answer all your questions today, and I will say that we've included some information numbers and websites and links, so that you get you guys can get on there and get on the websites and look for different things, even at the Department of Revenue, in addition to the Women's Foundation. So if we can't answer them today, we can certainly get them answered.

Susan Kennedy: I'm going to go ahead and share my screen, and we'll start this presentation. Okay, that's me. You guys have already heard about me. So I'm going to go to the next slide.

Susan Kennedy: Kim talked a little bit about this, but I just want to reemphasize that the you know, a lot of legislative victories are based on timing and problems that we're experiencing and solutions to those problems. The great news here is that we hope that we have gotten a policy response to a problem in our State that will work and that will work well. And that's really why we're here today in partnership with you, in learning how to apply for and be granted this credit, and to participate in this policy to really bring it to life and breathe life into it and make it real.

Susan Kennedy: There was a low workforce participation rate, especially among women. Significant people dropped out of the workforce during the pandemic, and most of those folks were women. They went home to take care of children. School was out in large portions of Alabama for a while, and so families were just doing the best that they could to make it work, and as a result we lost.

Susan Kennedy: Women's participation in the workforce, and they've not returned to the workforce in the numbers in which they dropped out. And so we looked for at the women's foundation. We looked for reasons for that. And what were the barriers to women coming back into the workforce? And, as we all know, as women and women who have cared for children or women who have a family that has cared for children. Child care is always at the forefront of our minds in terms of going back to work.

Susan Kennedy: So all of these issues are really key to economic growth. And we brought that message in when we asked the legislature to pass this law.

Susan Kennedy: So it was enacted on May 9, 2024. It became effective January 1st of 2025. It will run through December 31, 2027. Those dates are based on tax timing and tax years. So, it will be open and out there for tax years 2025 tax years, 2026 and tax years 2027.

Susan Kennedy: The key components of the law are an employer. Tax credit which for profit child care facilities can apply for child care facility tax credits, and then a nonprofit child care provider grant. We will not really talk about the nonprofit child care provider grant today - this will exclusively be focused a little bit on the employer tax credit and the child care facility tax credit which I know many of you are looking forward to finding out how to apply for.

Susan Kennedy: Supporting employers. So, if you're an employer in this State, a for-profit employer that would include many of the for profit child cares, your eligible expenses include construction, operation, employee payments and reservations for child care.

Susan Kennedy: So up to 100% of eligible expenses for small businesses are included. If you have less than or fewer than 25 employees, then you are considered a small business under this law.

Susan Kennedy: 75% of eligible expenses are available for larger businesses, and those expenses are capped at \$600,000 per business - the annual aggregate cap for the entire employer. Credit is \$15 million dollars in 2025, so that would mean every business or employer that applied for it would be able to receive the credit as long as it did not exceed \$15 million dollars in total for all the businesses in the State of Alabama. \$17.5 million in 2026, and \$20 million in 2027.

Susan Kennedy: And you'll see, as we go through this, how we're how they cap things when you don't know how many people are going to apply for it, and you don't know how much credit is out there. So, we'll talk about that next.

Susan Kennedy: So also employers. These are a few more rules around the employer, so employers must prioritize employees eligible for the earned income tax credit. The earned income tax credit is for families or individuals who have children. It's based on your income and how many children that you have. And so if you're going to prioritize an employee out of all your employees, if you're going to prioritize employees, you must prioritize earned income tax credit employees or employees that would be eligible for that. So, what that means is for a family of 2, with 2 kids married, filing jointly a family of 4. Excuse me, 2 kids and married filing jointly, it's about \$64,000 a year in income. So, anything \$64,000 and under, those would be employees that would be eligible for the earned income tax credit if they were married filing jointly and had 2 kids. It's a little less than that if you're single.

Susan Kennedy: It's a little less than that. If you have one, child, it's a little more than that. If you have more than 2 kids.

Susan Kennedy: But there is a link you'll see earned income tax credit. When you get this presentation. You can click on that link in the presentation, and it will take you to the IRS.

Susan Kennedy: Charts and tables that will show you exactly how much we're talking about in terms of who you must prioritize, and as to your employees. Employees are also defined as making \$80,000 or less, excluding overtime or bonuses, so employees are not eligible for this credit if they receive more than \$80,000 a year, excluding overtime any overtime that they work or bonuses. So if you are an employee that makes \$80,000 or less exclusive of overtime or bonuses, you are an employee as defined in this law.

Susan Kennedy: Rural. There's a preference for rural and small businesses. So rural means any county with 50,000 or less in population.

Susan Kennedy: So what taxes can you offset with this credit?: So state income taxes. And that means personal income taxes. It means if you're a pastor entity, if you're an LLC, or if you're a sub chapter, Chapter S, or you're a sole proprietorship, then you can all your personal income taxes. You can file these credits for your pass through entity, and on your personal return, these for these credits the State and also corporate income tax is also eligible for this the state portion, because the counties and cities get a lot of the financial institutions excise, tax. But the state portion of the financial institutions excise tax is available as a credit. That's pretty much for Banks. That's the bank income tax.

Susan Kennedy: And then insurance premiums tax. If you're an insurance company, you can take this credit against your insurance premiums tax and then a utility license tax. This is basically a tax on utility companies.

Susan Kennedy: So, that pretty much gets banks, insurance companies, utilities, and all corporations, small businesses, LLCs and sole proprietorships.

Susan Kennedy: So, what are your steps to qualify? So, you reserve a credit. Allocation under the My Alabama Taxes, which is the website that you interact with on the Department of Revenues website. You can start reservations of those credits March 1, 2025. So about 6 6. Well, I guess about 30, 33 days from now, 32 days from now you can begin to reserve your allocation of your credits. Now, what does that mean? That means that this is what you anticipate. Your expenditures will be during the tax year of 2025 your eligible expenditures.

Susan Kennedy: So it is a first come, first serve system with 25% reserved for of the total amount of the cap is reserved for small businesses. That's businesses with fewer than 25 employees or employers in rural areas, and those are counties with less than 50,000 in population.

Susan Kennedy: So these reserved amounts will stay reserved for rural and small businesses until July 1, 2025.

Susan Kennedy: And at that time, if that 25% has not been claimed by rural and small businesses, the remaining amounts will be released back out into the general pool, so that other folks can also reserve additional credits. You can claim these credits in order to facilitate the credit, and actually get the credit off on your taxes.

Susan Kennedy: Under the same system. My Alabama Taxes on March 1, 2026, that will be at the completion of the tax year of 2025.

Susan Kennedy: Which means that when you finish your tax years of 2025, you will know you'll have a final number of what your eligible expenses are, and then you can go on and claim those eligible expenses. On March 1, 2026, and in the My Alabama Taxes website.

Susan Kennedy: There's was a timeline for the rules and the feedback, and we've been through that. I'll let Preeti talk about that during the comment period when I finish this presentation, and I'm almost through.

Susan Kennedy: So the rules were published in the Alabama Administrative Monthly on November 27, 2024. There's a link to those rules in the chat. There's also some links to some other things in the chat.

Susan Kennedy: There was a public comment period from November 27, 2024 to January 7, 2025. There was a public hearing on January 7, 2025, and all those comments were submitted to cameronclark@revenue.alabama.gov. So we have linked those the rules and so you guys can take a look at those rules. They're pretty straightforward. It's basically what we've talked about here. And as with any new tax credit, there will be additional instructions and advice and information out there on the Department's website, and also we'll keep up with that at the Women's Foundation, so that you can continue to stay up on it.

Susan Kennedy: I've also included some links in the chat to the informational pages at the Department of Revenue. You see the tax credit details, the employer tax credit and also the facility tax credit.

Susan Kennedy: You know what, you guys, I'm so sorry. But I have gotten the wrong presentation up here, cause I'm going to talk about the facilities credit next. So let me just stop sharing this for one second and get the right presentation up here. I'm so sorry.

Susan Kennedy: Yeah, you absolutely check everything. And then, all of a sudden, you're like, Oh, wait a minute. Where is that?

Kim Cochran: You get your presentation up. This is Kim Cochran. I don't know that there are any questions in the chat, but that's what I was going to say while you're pulling up your presentation for those folks that do have questions feel free to put them in the chat and we will address those at the end of the presentation. You know no question is too small or too big. Um, and if we don't know the answer we will certainly do our best to get you an answer. Just know that we do want to hear from you, and we're happy to answer the questions that you may have.

Susan Kennedy: Okay, we're going to run through this. Get to where we've got to be alright. Great.

Susan Kennedy: Alright! Here we go. The key terms in the definitions are, child or children. Individuals under 5 years of age, and this is for the facilities, credit.

Susan Kennedy: You're just going to see a few slides on the side, because I can't make it work correctly. But let's talk about the key terms in this legislation. So, child or children, individuals under 5 years of age are counted as child or children in the facilities credit, child care facility, a licensed facility participating in the quality, rating, and improvement system. So, if you are a licensed facility, you are one star under the DHR QRIS system.

Susan Kennedy: Eligible child or children, participants in the child care subsidy program attending certified facilities. So, there are two things to be considered as eligible. There are two things that you have to be in order to count for the child care facilities tax credit, and that is, you have to be a child which is under 5 years of age, and you have to be participating in the child care subsidy program with and attending a certified facility. So those are the 2 things that you have to have to be an eligible child. The facility tax credit is a credit that's tied to QRIS, and the quality rating of facilities, and it's limited to \$25,000 per facility.

Susan Kennedy: So that's different from the Employer Tax credit. The facility tax credit is just for child care facilities. It's per facility. So, if you have 2 facilities, you can get it for each facility and it's a credit tied to the quality rating of each facility limited to \$25,000 per facility.

Susan Kennedy: The quality rating system is the QRIS program and it's from 1 to 5 stars.

Susan Kennedy: Facility credit overview. So, the Alabama quality stars is exclusively for facilities participating in the QRIS system and it's from 1 to 5.

Susan Kennedy: The credit is linked to your star rating to drive quality. The purpose is to drive quality. The max credit is \$25,000 per facility. The way that you get to that max is, it's \$2,000 per eligible child. Remember, that's the ones participating in the subsidy program, and under 5.

Susan Kennedy: \$2,000 per child for 5 star facilities. It comes down by 200, and I think it comes down by \$500 until it gets to, or \$250 until it gets to \$1,000 per eligible child for one star facilities.

Susan Kennedy: So if you have 17 kids that are participating in the subsidy and you are a 1 star facility, then you can apply for a facilities credit of \$17,000. If you have 17 kids, let's say you have 15 kids.

Susan Kennedy: And you're because that math easier. And you are a 5 star facility. You got 15 kids are participating in the subsidy program, and you're a 5 star facility. Then you would, could apply for \$30,000.

But the credit max is \$25,000 and so you would get \$25,000 if you reserved and applied for that credit as a first come first serve facility or for profit child care.

Susan Kennedy: And we can take examples of that when we get through, if you guys want to run them past us.

Susan Kennedy: And then I'm going to talk a little bit about grants for nonprofit providers. The Grant amounts is up to \$50,000 annually for nonprofit child care providers. The total funding cap is \$5 million per calendar year for all applicants.

Susan Kennedy: You also must be licensed and have nonprofit status to apply for this. You have to use the funds to improve your child care quality or capacity, and you have to adhere to a grant agreement or grant terms that the Department of Human Resources will negotiate with the nonprofit child cares. If you do not adhere to those terms or default on those terms. You may have to repay the grant.

Susan Kennedy: Just like any other grant, and this we already talked about, the rules were published. There was a comment period, a hearing, and comments were sent to Cameron Clark again. Here's the employer and child care facilities tax credit. That's a link. Those links are in the chat. And then, if you are overwhelmed in this very short and very high level webinar, understood, completely understood. Small businesses are in the business of running their business, and it's really difficult to do that and apply for a complicated tax credit. So, we'll be here for you in terms of having everything we can on the website, and answering all the questions and doing FAQs for everybody. But if you really find that you are not comfortable doing this by yourself, there's an IRS guide for finding tax professionals. So, I think that's important.

Susan Kennedy: Thank you for your interest in this child care tax credit and contact us with any questions. My email is here. Um, of course, Rhonda and Kim and the folks at the Women's Foundation.

Susan Kennedy: We will all be here to help. So, I'll be happy to answer any questions, and I can pop any slides back up on the screen. If we need to do that.

VOICES for AL Children: Susan, thanks so much. And again, if you have a question, please put it in the chat. We had just a couple of questions that came in.

VOICES for AL Children: One was, we provide child care to all of our teachers but at a cost to us, of course, can we participate as an employment group?

VOICES for AL Children: Offering child care assistance and get the facility tax credits. And again, please keep your video and your audio off.

Susan Kennedy: So, the answer to that question is, yes, if you're a for profit employer, and that includes child care facilities that are offering child care to your employees at a subsidizing that cost. You can apply for a tax credit for the costs of that child care for your employees.

VOICES for AL Children: As an employer, and then they can still file for the facilities credit. Tax based on their QRIS rating and the number of eligible children.

Susan Kennedy: That's correct.

Susan Kennedy: The child care facility tax credit is limited to for profit facilities only. Yes, you don't pay the only taxes that you would pay as a nonprofit or potentially any other.

Susan Kennedy: Sales taxes and potentially profit property taxes. And so, we, the policymakers, thought that for nonprofits that grants might make more sense because they don't pay as much tax in order to get a tax credit. That's why that's the justification for that.

VOICES for AL Children: Susan? There was another question. I thought I read in the rules that the attendance was based on an average enrollment of the subsidy students. Is there a calculation as to how the average attendance is calculated?

Susan Kennedy: That is one of those things I think that'll get worked through. Um, so Preeti, do you want to speak to that? That's how they calculate. If you have 17 kids start and you don't have 17 kids finish. What does that mean?

Preeti Gratz: So what we'll do is on our website. We are. We will publish the calculation how to calculate it. It's the average number of eligible children for each month. Will be calculated by adding the average number of eligible children for each day of the month, and then dividing it by the total numbers of the day of the month. So, then we add the average number of eligible children for each month of the year, and then divide by 12. We will provide this like calculation on our instructions, so people could use that to calculate the average.

VOICES for AL Children: Great um. And someone asked, Are we eligible for double dipping?

Susan Kennedy: Yes.

VOICES for AL Children: And I think we've answered this one, but we'll ask it again.

Susan Kennedy: Yes, you're a facility. And yeah, you're a facility and an employer. So if you are offering child care benefits to your employees, then yes.

VOICES for AL Children: You are employers.

Preeti Gratz: You.

VOICES for AL Children: We have said this a couple of times, I'll repeat it this session is being recorded, and we will share that link. It will be on VOICES website as well as the Women's Foundation of Alabama's website. So you should be able to.

VOICES for AL Children: That's easily. We will try to send out something to everybody on here, based on the email address that you used for registering. And make sure that you get the information from today. I know sometimes you need to hear it a couple of times, or look at it without distractions or interrupting.

VOICES for AL Children: Somebody asked, Is it refundable?

Susan Kennedy: Yes, it's refundable.

Preeti Gratz: Child care facility? Yes.

Susan Kennedy: Yes, yeah, the employer tax credit is not refundable. Sorry the facility credit is. If you didn't pay \$15,000 in taxes. It doesn't matter. You can file for the facility tax credit if you paid a thousand dollars in taxes, and you are eligible for 15,000 in facilities credit. Then you can apply for that facilities credit, and you will get back.

Susan Kennedy: \$15,000, whether you paid in 15,000 or not. If you're you know, if you do it first come first serve, and if you're if the credit is allocated to you, you will get a refundable credit, meaning you don't have to have paid \$15,000 to get \$15,000 tax credit.

VOICES for AL Children: That sounds like a real plus for our child care providers.

Susan Kennedy: Very, very much, and the reason that the policymakers believe that this was a way to assist the industry of child care providers. It's a little bit over and above assisting just businesses, but giving a little bit of extra assistance to the child care community.

VOICES for AL Children: Does that employer subsidy of child care have to show on the employees W2 pay stub as an employer provided benefit?

Susan Kennedy: Preeti answered that in the last one. So yeah, yes.

Preeti Gratz: Yes, yes.

Preeti Gratz: Yes, yes, it has to clearly state that the stipend or reimbursement is solely for the child care expenses. It can't be a blanket stipend.

Preeti Gratz: As long as it specifies.

VOICES for AL Children: In the steps to qualify, what is the allotted amount that we need to set up in My Alabama Taxes?

Susan Kennedy: So you're going to be driven off of your anticipated eligible expenses. Right? Preeti, you want to talk about that?

Yes, it's based on, because it's a first come first serve basis. We have to do a reservation system before you spend that amount. So you'll kind of do a rough calculation of how much it might be, and it's capped at \$25,000, anyway, for facilities and for employers \$600,000. So you will kind of make an estimation of what it could be. And then there's a two-step process where, after the tax year end you'll submit a credit claim, and then, during that credit claim, you'll submit your actual expenses.

Preeti Gratz: And the expenses up to that reservation will be allowed.

VOICES for AL Children: Can you further clarify the eligible expenses from the employer side that can be calculated for the up to 600,000?

Preeti Gratz: Yes, yes, absolutely. We will provide this in the details, in our rules that are being certified and also posted on our website. So it could be amounts incurred for the construction, renovation, expansion, repair, purchase of equipment and/or maintenance of the operation of a child care facility. Direct payments made by an employer like we discussed earlier, directly to the child care facility.

Preeti Gratz: For the employees or reimbursements to the employees, and it could also be payments made to child care facilities to reserve services.

Preeti Gratz: For children of the employees and the children is defined as 5 years of age, or younger.

VOICES for AL Children: They also asked, and I think we've answered this, but I'm going to ask it again. And can we also clarify that both of these credits are refundable to providers?

Susan Kennedy: Both of them are not.

Preeti Gratz: That is correct.

VOICES for AL Children: That's not right.

Susan Kennedy: Oh, to provide the employer? Tax credit is not refundable.

Preeti Gratz: Yeah.

Susan Kennedy: But is to providers correct.

Preeti Gratz: Well, if you're a provider, if you're a child, care provider, then the employer credit.

Preeti Gratz: Is refundable to the child care provider. However, if you're not a child care facility, you're an employer, then that is not refundable.

Susan Kennedy: Right.

VOICES for AL Children: And will nonprofit church daycares qualify?

VOICES for AL Children: But licensed through DHR?

Susan Kennedy: So they'll qualify for the grant, but not the tax credit.

VOICES for AL Children: What if your star rating changes? Midyear?

Preeti Gratz: I don't believe that is the case from my understanding. It generally doesn't happen mid-year. However, if it does, what we'll do is that calculation of the star system and the eligible children will prorate it, based on your quality rating when it changed. So, we'll just take the number of months. So we'll we'll just prorate it.

VOICES for AL Children: And I do know Bernard's on the call, Bernard. Can you verify or confirm that star ratings don't change within the year, or do they?

VOICES for AL Children: How does that happen?

Bernard Houston: I'd unmute myself, Rhonda. So, Rhonda, that's possible, because they're staggered. It depends on when you had your last assessment.

Bernard Houston: So it's not like everyone gets their star rating at the same time. So they're staggered. So that is possible.

VOICES for AL Children: Okay, alright. So that's good to know.

Preeti Gratz: In that case, we yeah, in that case we will prorate it, based on the months.

VOICES for AL Children: Great - as a nonprofit, are there some new grants through DHR that have come through this?

VOICES for AL Children: Is there a contact person at DHR that would be best to talk about related grants.

VOICES for AL Children: And I think we've already said the Grant portion of this child care tax credit bill is handled through DHR. That is not part really of this conversation today. We have not received any information on the grants. What you need to do, what eligible expenses, so forth, are going to happen. I think there were some details that Susan shared with us about brands, but the rest of it, we're still waiting on DHR at this time. But do you all want to speak to that at all?

Susan Kennedy: Well, I just think we're going to do another one when we get to that. So, this is really for the for-profit child care community, but wanted to cover all 3 aspects of the bill or the law. Now, excuse me, the law.

VOICES for AL Children: Yeah, alright. So will we be eligible for more than \$25,000 if we're doing construction expansion up to \$600,000?

Preeti Gratz: Not as a facility unless you're doing that for your employees separately, as an employer credit. So if you are, if you qualify for both credits separately based on their individual requirements, you can take both.

VOICES for AL Children: And can you clarify the facility tax credit as being refundable? Department of Revenue previously stated, and I believe the rules state, that for providers both are refundable.

Preeti Gratz: That is correct. Yes, if you're a child care facility, then both the employer credit and the facility credit are refundable. If you're just an employer who does not own a child care facility and doesn't meet the child care facility requirements, then that is not refundable.

VOICES for AL Children: And I think Susan went further clarifying this, and I think it's a good point for them to understand that the employer credit is money they're actually investing out of pocket. That would be refundable for what they spent. But the facilities credit is not money out of pocket necessarily, because it's based on a calculation based on those that they're serving.

Preeti Gratz: That's correct.

VOICES for AL Children: Based on their quality. So there is some difference there on them.

Susan Kennedy: That's right. That's that's absolutely right.

VOICES for AL Children: We have 2 centers. Am I able to get credit for both centers? So, I'm wondering if they're talking about up to 25 for each individual center. Is that how it works?

Preeti Gratz: Yes, if both those centers are separately, they have 2 different license numbers. They're separately qualified. They have 2 different entities. Then, as each individual entity, they'll qualify for \$25,000 each.

VOICES for AL Children: Let's see, can you remind us, the only children eligible to count for the tax credit facilities up to \$25,000 are 5, and under and is using a subsidy?

Preeti Gratz: That is correct.

Susan Kennedy: Correct.

VOICES for AL Children: Item D states that the employer credit is refundable for employers. Who are child care providers, making both credit refundable? We said this earlier but I'm going to let you go ahead and answer.

Susan Kennedy: That's true.

Preeti Gratz: Yeah.

VOICES for AL Children: Sherry, I'm not sure what your question is. You just made a statement. I will get assessed in April. I think maybe that -

Susan Kennedy: Oh, for QRIS, yeah.

VOICES for AL Children: Has to do with QRIS, yeah, your quality rating?

VOICES for AL Children: Someone else asked, can you explain? We are both small business and provider and employer. There are Star 4.

VOICES for AL Children: You give a quick example. Explanation on how the employer talks, and it works a little bit confused.

Susan Kennedy: Sure. So, if you're a small business, that's fewer than 25 employees, then you will reserve your credit, and there's a 25% of the \$15 million-dollar Employer Credit is reserved for small businesses and folks in rural counties. So you will reserve your tax credit based on how much you are going to subsidize your employees.

Susan Kennedy: So if you're going to give all of your employees free child care or the child care benefit of allowing their kids to go to your child care, then you would assess a cost to that for your each employee, and that's the amount that you would subsidize your employee. Therefore that's the amount that you can claim as a credit if you're a 4 star. In addition to that, if you are a 4 star and you have 10 subsidy kids, then it's I think it's 1,750 per child. I'm not looking at the table, but I think it's \$1,750 per child times the 10. So it's going to be. What is that? \$17,500 which would be your amount? That's under the \$25,000 facilities cap.

Susan Kennedy: And so that's the refundable amount that you can claim.

Susan Kennedy: You can also claim as refundable what you spent on your employee. Child care. So that comes back to you dollar for dollar. If you're a small business.

Susan Kennedy: So in essence, you can give your employees child care, and it will not cost you anything. You'll be reimbursed for the costs that you expended at a hundred percent.

VOICES for AL Children: They do have to show that on the W2 that it was a benefit that the employee received for child care.

Susan Kennedy: That's right. You have to document it. It can't just say, hey, if you work here, you can bring your kid. You've got to actually put it in their employee documents.

VOICES for AL Children: And someone asked, Is this based on our enrollment from 2024? I'm assuming it's not I'm assuming about this year's enrollment?

Preeti Gratz: No. It will be 2025, beginning January 1, 2025.

VOICES for AL Children: Okay, and so someone else asked, what about family? Home Daycares?

Preeti Gratz: Yeah. If you are licensed by DHR and have the star rating, then yes, you will be able to qualify, based on the requirements.

VOICES for AL Children: Would they qualify as an employer? I know there's not a lot of staff in a family home, but sometimes there's more than one.

Susan Kennedy: If they have employees.

Susan Kennedy: Yeah, if they have employees and they give them an employee benefit, they're going to qualify just like anybody else.

VOICES for AL Children: Great. Are acquisitions of centers considered part of the employer tax credit? So if, for example \$100,000 in a quarter. To expand through acquisition will that \$100,000, be able to be claimed?

Susan Kennedy: So that's if you're spending a \$100,000 for your employees, not just your business that you're offering to 3rd parties.

Preeti Gratz: Yeah.

Susan Kennedy: If you're spending a \$100,000 for your employees, expanded child care, then yes, potentially.

Susan Kennedy: Also that acquisition. If you reserve these credits, and the acquisition doesn't come through in that year, or you can't get the construction done. And again, this construction has to be for your employees child care.

Susan Kennedy: So it really makes more sense when applied to businesses that are not child care providers.

Susan Kennedy: Like A, you know, ABC. Corporation wants to have on-site child care. So they build a facility.

Susan Kennedy: That's probably what this is for, because it is for their employees, the 100% of the child care facility that they're building on their site of their other business is for their employees. So that would make sense. But if you're a child care business and that's your core business and you're going to construct a facility, then, that it has to be for your employees because it's an employer tax credit.

VOICES for AL Children: They also asked, if your tax liability is only 50,000 per year. If you reserve tax credits in total \$500,000 for the employer credit.

VOICES for AL Children: \$25,000 per year credit. Are you saying you would be refunded? \$475,000, because both are refundable? And would the tax refund amount, then be taxable?

Preeti Gratz: Only if you are a child care facility, and qualify as both employer credit and facility credit, then it would be refundable in this example. Yes.

Susan Kennedy: Yes, and the \$500,000. It would be unlikely that you would spend \$500,000 for your employee, your child care facility employees' child care.

Susan Kennedy: That would raise a bunch of red flags. I think.

VOICES for AL Children: Those are all the questions that were in our chat. think this has been so helpful. I don't think we can hear enough to try to get it straight in our heads, what is available. There is some great opportunities out there, and Preeti, thank you so much for being with us and explaining more.

VOICES for AL Children: From the Department of Revenue. We greatly appreciate that. And, Susan, your expertise and knowledge has been wonderful.

VOICES for AL Children: Kim, you as well, thank you to the Women's Foundation for carrying a lot of the load and pulling us across the finish line. VOICES was very happy to be a part of that, and very happy to be pushing this out.

Again for those that are attending and participating.

VOICES for AL Children: This tax credit. Remember, it's got a 3-year sunset and it will go away unless we can show there's a great need for it. So please, please, please share the information. Make sure that you go in and reserve your tax credit. And use the tax credit so that lawmakers know this was a good thing for Alabama and child care.

VOICES for AL Children: Any, any last comments or remarks from anyone.

Kim Cochran: Just, I just want to say one more thing quickly, and that is to again. Thank you, Rhonda, and VOICES for hosting this today. We really appreciate it, appreciate you getting the word out. And again, this recording will be on women's foundation website as well as the voices website that people can access.

Susan Kennedy: There were.

VOICES for AL Children: And somebody has asked one more time about the child care provider, Grant. The grant will be handled through DHR. When we have information from DHR, we will let you know. We've offered to host a webinar for them as well, so that everybody can hear the details at the same time.

VOICES for AL Children: Be watching on the Federal front. There's some Federal legislation that could really help as well. We'll keep you posted as we learn more. Thank you so much, ladies, for spending your afternoon with us.

Susan Kennedy: Can we just let me just grab a few of these because I think they're kind of important. So you're going to get this PowerPoint. You can see all of the references behind it if you registered for this event. But you will go to the Alabama Department of Revenues website, **not the IRS** website. It's the Alabama Department of Revenues website. And you'll go to My Alabama Taxes.

Susan Kennedy: I guess the tab that you'll go to on their website, and you'll see that when you get this PowerPoint back.

Susan Kennedy: I wanted to grab that question because it's not unusual to get confused as to whether to do it at the Federal level or the State level, or whether it's IRS or Department of Revenue. Right now, you know, Alabama is progressive in the sense that on this issue in the sense that they've offered a State credit.

Susan Kennedy: And so this is really just. This is a State credit against your State taxes. So we hope that the Federal Government will weigh in and do something very similar to this in the future, because I know that it will help the community. But this is a state credit for now.

Susan Kennedy: And then I wanted Preeti to answer this one, because I'm not sure I know this. When they get this refundable tax credit back. Is that then also taxable?

Preeti Gratz: We follow the Federal rules. If it's taxable for Federal income tax purposes, it'll be taxable for Alabama.

Susan Kennedy: So typical lawyer. Answer for me, too. I don't, you know. Maybe.

Preeti Gratz: We follow the Federal rules. It just depends. When you fill out your tax return. If it becomes taxable for Federal, it'll become taxable for us. Yeah. So there's no way of telling until actually, you know, if you go through your tax return.

Susan Kennedy: Right.

VOICES for AL Children: Did you see anything else, Susan, that I missed? And thank you for picking up on that. I saw it, but it wasn't registering the same way.

VOICES for AL Children: Yeah, it's very important that we're talking about the state. State credits and State taxes.

Susan Kennedy: Yeah. And in the very beginning of this chat there are some links to some informational pages on the Department of Revenue's website for each of these. The Facilities Credit and the Employer Credit. So, run up there, grab those, and then you can read about those, and that really gives you a better idea about how to get started.

Preeti Gratz: I want to add that right now the information we have on both of those Facility and Employer Credit is very preliminary. Within the next couple of weeks we are planning on having very detailed instructions, including instructions on how to make the reservation.

VOICES for AL Children: Preeti, thank you so much for the work you're doing at Department of Revenue. It's a mystery to so many of us, so.

VOICES for AL Children: It sounds like you're going to make it easy for them, and we'll continue to push this information out and hope that we have lots of activity and people wanting to take advantage of this new tax credit.

VOICES for AL Children: So, everyone, thank you so much. At this time, we are adjourned.

Kim Cochran: Thank you.

Preeti Gratz: There we go!

Susan Kennedy: Thank you. Everybody.