

## School Readiness Tax Credits

In 2007, the Louisiana Legislature passed [Act 394](#), which enacted [Revised Statutes 47:6101-6109](#) to provide a package of tax credits known as the School Readiness Tax Credits. These credits allow tax breaks to families, child care providers, child care directors and staff, and businesses that support child care in an effort to encourage child care facilities to voluntarily participate in the quality rating program administered by the Louisiana Department of Social Services under the name of [Quality Start Child Care Rating System](#).

The School Readiness Tax Credits, which are effective for income tax years beginning on or after January 1, 2008, and franchise tax years beginning on or after January 1, 2009, are as follows:

1. Child care expense tax credit—[R.S. 47:6104](#)
2. Child care provider tax credit—[R.S. 47:6105](#)
3. Credit for child care directors and staff—[R.S. 47:6106](#)
4. Tax credit for business-supported child care—[R.S. 47:6107](#)
5. Tax Credit For Donations To Resource And Referral Agencies—[R.S. 47:6107](#)

To provide additional guidance for the School Readiness Tax Credits, the Louisiana Department of Revenue (LDR) and the Department of Social Services adopted [LAC 61:I.1903](#).

### 1. Child Care Expense Tax Credit—[R.S. 47:6104](#)

A school readiness child care expense tax credit is allowed for taxpayers who have a qualified dependent under the age of six who, during the year, attended a child care facility that participates in the quality rating program and has earned at least two stars.

The school readiness child care expense credit is based on the quality rating of the child care facility and is a percentage of the existing Louisiana child care expense credit provided for by [R.S. 47:297.4](#). The school readiness child care expense tax credit is in addition to the regular child care expense credit.

The percentage of the regular child care expense credit allowed for the school readiness tax credit is based on the child care facility's quality rating as follows:

Quality Rating of Child Care Facility	Percent of Louisiana Child Care Tax Credit
Five Star	200%
Four Star	150%
Three Star	100%
Two Star	50%
One Star or not participating in Quality Start	0

Parents with multiple qualifying children are allowed credit for each child with the credits separately calculated. Also, if a child receives services from more than one child care facility during the year, the credit is calculated based on the facility with the highest quality rating.

- Refundable credit—The school readiness child care expense tax credit is refundable for taxpayers whose federal adjusted gross income is \$25,000 or less. The refundable credit is claimed by resident taxpayers on Line 20 of the Louisiana income tax return, Form IT-540, and Line 21 of Form IT-540B for nonresidents.
- Nonrefundable credit—Taxpayers whose federal adjusted gross income is greater than \$25,000 may apply the credit to their tax liability and if the credit is more than the taxpayer's liability, the remaining credit can be carried forward and applied to later tax years. Excess credits can be carried forward for up to five years. The nonrefundable credit is claimed by resident taxpayers on Line 12D of the Louisiana income tax return, Form IT-540, and Line 13D of Form IT-540B for nonresidents.

#### Proof of Credit

Taxpayers who claim the school readiness child care expense credit must obtain a Louisiana School Readiness Tax Credit, Child Care Expense Credit Certificate, Form R-10614 from their child care facility. The facility must complete the top portion of the form including the facility's name, license number, the Louisiana Revenue Account Number, the facility's quality rating, and the date of the rating award.

Child care providers must provide completed forms to parents or guardians for each qualifying child who attended the facility.

The school readiness child care tax credit is calculated as follows:

#### Example 1

Family's federal adjusted gross income .....	\$20,000
Refundable or nonrefundable tax credit .....	Refundable

State child care credit amount.....	\$50
Qualified dependent under age six that attended a quality rated child care facility.....	1
Quality rating of the child care facility .....	3*
Percentage of state child care credit allowed .....	100%
School readiness child care expense tax credit (\$50 x 100%) .....	\$50

The \$50 school readiness child care expense credit can be claimed in addition to the \$50 regular child care credit and, if the credit exceeds the taxpayer's tax liability, the excess amount will be refunded.

**Example 2**

Family's federal adjusted gross income .....	\$30,000
Refundable or nonrefundable tax credit .....	Nonrefundable
State child care credit amount.....	\$50
Qualified dependents under age six that attended a quality rated child care facility .....	2
Quality rating of the child care facility for first child.....	4*
Percentage of state child care credit allowed for first child .....	150%
School readiness child care expense tax credit for first child (\$50 x 150%) .....	<u>\$75</u>
Quality rating of the child care facility for second child .....	3*
Percentage of state child care credit allowed for second child .....	100%
School readiness child care expense tax credit for second child (\$50 x 100%) .....	<u>\$50</u>
Total school readiness child care expense tax credit (\$75 + \$50).....	<u>\$125</u>

The \$125 school readiness child care expense credit can be claimed in addition to the \$50 regular child care credit and can be applied against the taxpayer's liability with any excess credit carried forward for up to five years.

For additional information concerning the school readiness child care expense tax credit, see the Department of Social Services' [Frequently Asked Questions](#).

**2. Child Care Provider Tax Credit—[R.S. 47:6105](#)**

Child care providers who own and operate a facility where care is given to foster children in the custody of the Department of Social Services or to children who participate in the [Child Care Assistance Program](#) administered by the Department of Social Services are eligible for the refundable School Readiness Child Care Provider tax credit.

The tax credit is based on the average monthly number of children who attend the facility multiplied by the applicable credit amount based on quality rating of the child care facility.

Quality Rating of Child Care Facility	Tax Credit Per Eligible Child
Five Star	\$1,500
Four Star	\$1,250
Three Star	\$1,000
Two Star	\$750
One Star or not participating in Quality Start	0

The Department of Social Services will provide certification by March 1 to qualifying child care providers regarding the average number of children participating in the program. The certificates must be retained in the Child Care Provider's records and be available to the Department of Revenue on request.

The credit can be taken against individual income tax, corporation income tax, or corporation franchise tax depending on the child care facility's entity type as follows:

- Individual income tax credit—If the child care facility is owned by a sole proprietor, or a flow-through entity such as a Limited Liability Company (LLC), Partnership, Subchapter S corporation, the credit will be claimed on the Resident Individual Income Tax return, Form IT-540, Schedule F, or the Nonresident and Part-Year Resident Individual Income Tax Return, Form IT-540B, Schedule F-NR. Partners and shareholders should apportion the credit based on the each partner or shareholder's percentage of ownership.
- Corporation income or franchise tax credits—If the child care facility is owned by a corporation, the credit will be claimed on the Corporation Income and Franchise Tax Return, Form CIFT-620, Schedule RC.
- Nonprofit Organizations—If the child care facility is owned by a nonprofit organization, the tax credit will be taken on the Corporation Income and Franchise Tax Return, Form CIFT-620, Schedule RC. Nonprofit organizations that

are not registered with the Department of Revenue because they are exempt from tax must register with the Department of Revenue and obtain a Louisiana tax identification number to be able to claim the credit.

For additional information concerning the school readiness child care provider tax credit, see the Department of Social Services' [Frequently Asked Questions](#).

**3. School Readiness Directors and Staff Tax Credit—[R.S. 47:6106](#)**

Child care directors and eligible staff are eligible for a refundable tax credit if they work at least six months for a licensed child care facility that participate in the quality rating system and are enrolled in the [Louisiana Pathways Child Care Career Development System](#).

The refundable tax credit is based on the educational level attained through Louisiana Pathways Child Care Career Development System as follows:

School Readiness Tax Credit Levels	Amount of Refundable School Readiness Tax Credit
Director I	\$1,500
Director II	\$2,000
Director III	\$2,500
Director IV	\$3,000
Child Care Teacher I	\$1,500
Child Care Teacher II	\$2,000
Child Care Teacher III	\$2,500
Child Care Teacher IV	\$3,000

The tax credit is claimed on the Resident Individual Income Tax return, Form IT-540, Schedule F, or the Nonresident and Part-Year Resident Individual Income Tax Return, Form IT-540B, Schedule F-NR.

The Louisiana Department of Social Services will provide certification to child care directors and staff indicating the educational level achieved by January 31. The Louisiana School Readiness Tax Credit, For Child Care Director and Staff, Form R-10615 must be completed by the child care provider and given to the directors and staff. The Department of Social Services will also furnish the certification information to the Department of Revenue as verification of the directors and staff's eligibility for the tax credit.

Directors and staff who file paper returns must attach a copy of the certification Form R-10615 to the return when filed. If the tax return is filed electronically, the form should be retained by the taxpayer to be provided to the Department of Revenue if requested.

Beginning 2009, the tax credit amounts will be adjusted annually by the percentage increase in the Consumer Price Index United States city average for all urban consumers (CPI-U), as prepared by the United States Department of Labor, Bureau of Labor Statistics, as determined by the secretary of the Department of Revenue on December first of the preceding calendar year.

For additional information concerning the School Readiness Directors and Staff Tax Credit, see the Department of Social Services' [Frequently Asked Questions](#).

For additional information concerning the Louisiana Pathways Child Care Career Development System (LA Pathways) see the Department of Social Service's rule, [LAC 67:III.5125 and 5127](#).

**4. Tax Credit For Business-Supported Child Care—[R.S. 47:6107](#)**

Businesses that support quality child care are eligible for a refundable tax credit based on the quality rating of the center. Eligible support includes:

- Expenses to construct, renovate, expand, or repair an eligible child care center, purchase equipment for a center, maintain or operate a center, not to exceed \$50,000 in expenses per tax year;
- Payments made to an eligible child care facility for child care services to support employees, not to exceed \$5,000 per child per tax year; and/or
- The purchase of child care slots at eligible child care facilities actually provided or reserved for children of employees, not to exceed \$50,000 per tax year

The credit is for a percentage of the eligible expenses based on the quality rating of the child care facility to which the expenses are related or the rating of the child care facility that the child attends as follows:

Quality Rating of Child Care Facility	Percentage of Eligible Expenses
Five Star	20%
Four Star	15%
Three Star	10%
Two Star	5%

The refundable credit can be taken against individual income tax, corporation income tax, or corporation franchise tax depending on the business's entity type as follows:

- Individual income tax credit—If the business providing the support is owned by a sole proprietor or a flow-through entity such as a Limited Liability Company (LLC), Partnership, Subchapter S corporation, the credit will be claimed on the Resident Individual Income Tax return, Form IT-540, Schedule F, or the Nonresident and Part-Year Resident Individual Income Tax Return, Form IT-540B, Schedule F-NR. Partners and shareholders should apportion the credit based on the each partner or shareholder's percentage of ownership.
- Corporation income or franchise tax credits—If the business providing the support is a corporation, the credit will be claimed on the Corporation Income and Franchise Tax Return, Form CIFT-620, Schedule RC.
- Nonprofit Organizations—If the child care facility is owned by a nonprofit organization, the tax credit must be taken on the Corporation Income and Franchise Tax Return, Form CIFT-620, Schedule RC. If the nonprofit organization is not registered with the Department of Revenue because it is exempt, the organization must register and obtain a Louisiana tax identification number and file the tax return to claim the credit.

For additional information concerning the Tax Credit For Business-Supported Child Care, see the Department of Social Services' [Frequently Asked Questions](#).

#### 5. Tax Credit For Donations To Resource And Referral Agencies—[R.S. 47:6107](#)

Businesses may also receive a tax credit for donations made to Child Care Resource and Referral Agencies. These are private agencies that contract with the Department of Social Services to provide information and services to parents and child care providers. The credit is equal to the amount donated but cannot exceed \$5,000 per tax year.

The refundable credit can be taken against individual income tax, corporation income tax, or corporation franchise tax depending on the business's entity type as follows:

- Individual income tax credit—If the business making the donation is owned by a sole proprietor or a flow-through entity such as a Limited Liability Company (LLC), Partnership, Subchapter S corporation, the credit will be claimed on the Resident Individual Income Tax return, Form IT-540, Schedule F, or the Nonresident and Part-Year Resident Individual Income Tax Return, Form IT-540B, Schedule F-NR. Partners and shareholders should apportion the credit based on the each partner or shareholder's percentage of ownership.
- Corporation income or franchise tax credits—If the business making the donation is a corporation or C-corporation, the credit will be claimed on the Corporation Income and Franchise Tax Return, Form CIFT-620, Schedule RC.
- Nonprofit Organizations—If the child care facility is owned by a nonprofit organization, the tax credit must be taken on the Corporation Income and Franchise Tax Return, Form CIFT-620, Schedule RC. If the nonprofit organization is not registered with the Department of Revenue because it is exempt, the organization must register and obtain a Louisiana tax identification number and file the tax return to claim the credit.

For additional information concerning the Tax Credit For Fees and Grants to Resource and Referral Agencies, see the Department of Social Services' [Frequently Asked Questions](#).