

DAYCARE FACILITY ACT

Program Summary

Acts 820 and 987 of 1993, as amended by Act 850 of 1995, allow sales and use tax refunds and income tax credits to businesses initially constructing and operating child care facilities for their employees.

Child care facilities must be licensed under the Child Care Facility Licensing Act, § 20-78-201 et seq. To qualify as a child care facility, the child care facility shall provide an appropriate early childhood program as defined in § 6-45-103.

Sales and Use Tax Refund

A business which operates, or contracts for the operation of, a child care facility for the primary purpose of providing child care services to its employees may obtain a refund of state sales and use taxes paid on the purchase of construction materials and furnishings used in the initial construction and equipping of the child care facility after the facility is licensed pursuant to the Child Care Facility Licensing Act, § 20-78-201 et seq., and is certified as having an appropriate early childhood program pursuant to § 6-45-109.

Income Tax Credit

A business which qualifies for the refund of the gross receipts tax or compensating use tax under 26-52-516 or 26-53-132 shall be allowed an income tax credit of three and nine-tenths percent (3.9%) of the annual salary of its employees employed exclusively in providing child care service, or a five thousand dollar (\$5,000) income tax credit for the first tax year the business provides its employees with a child care facility.

If two (2) or more businesses participate in a child care program for their employees as provided by 26-52-516 or 26-53-132, then each business will be allowed an income tax credit of three and nine-tenths percent (3.9%) of the annual salary of only those employees who are on the respective business' payroll and are employed exclusively for providing child care services. The first year's five thousand dollar (\$5,000) credit will be prorated among the businesses based upon the percentage of the cost paid by each business for the initial construction and equipping of the child care facility.

The credit is first available for use in the taxable year following the year the business makes payment of wages to childcare workers. Any unused credit may be carried forward two (2) years.