

Department of Finance and Administration

Legislative Impact Statement

Bill: SB618

Bill Subtitle: TO CREATE THE EARLY CHILDHOOD EDUCATION WORKFORCE QUALITY INCENTIVE ACT; AND TO CREATE AN INCOME TAX CREDIT FOR CERTAIN EARLY CHILDHOOD EDUCATION WORKERS.

Basic Change :

Sponsor: Sen. J. Sturch

SB618 creates an income tax credit for certain early childhood education workers. The following early childhood education workforce personnel who are employed in an early childhood education program that meet the requirements of the Better Beginnings quality rating system will receive a refundable individual income tax credit as follows:

- Child Development Associate Credential - \$250
- Arkansas Children's Program Administrator Credential - \$250
- Associate Degree in Early Childhood Education - \$1,000
- Bachelor's Degree in Early Childhood Education - \$2,000

The bill provides that, by September 1, 2024, the House Committee on Education and the Senate Committee on Education shall study the benefits provided by the income tax credit allowed and recommend to the General Assembly whether to continue or repeal the income tax credit.

The bill is effective for tax years beginning on or after January 1, 2019.

Revenue Impact :

FY2020 \$7.5 Million Reduction in State General Revenue

Taxpayer Impact :

Employees of early childhood education programs that meet the requirements of the Better Beginnings program, making less than the minimum K-12 salary, would receive a refundable individual income tax credit based on their education level.

Resources Required :

Computer programs, tax forms, and instructions will need to be updated.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Computer programs, tax forms, and instructions and training manuals will need to be updated. Department employees will need to be educated as well as the tax community.

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Other Comments :

None.

Legal Analysis :

SB618 creates a tax credit for early childhood education workers who earn less than the state's minimum salary for public school teachers. To be eligible for the credit, the taxpayer must be employed by an early childhood education program that meets the requirements of the Department of Human Service's Better Beginnings quality rating system. The amount of the credit is \$250 for a taxpayer who has a Child Development Associate credential, \$250 for a taxpayer who has an Arkansas Children's Program Administrator Credential recognized by the National Association for the Education of Young Children, \$1000 for a taxpayer who has an associate degree in early childhood education or a related field, and \$2000 for a taxpayer who has a bachelor's degree or higher in early childhood education or a related field. If the amount of the credit exceeds the taxpayer's income tax liability, the taxpayer will receive a refund. To claim the credit, the taxpayer must file with his or her income tax return a form provided by the Professional Development Registry at the Department of Human Services that verifies that the taxpayer qualifies for the credit. The bill requires the House Committee on Education and the Senate Committee on Education to study and make recommendations on the continuation of the credit.

Drafting concerns:

- In lines 6-7, page 2, the bill does not define the term "Child Development Associate credential." Language likely could be added to read "Child Development Associate credential from a program approved by the department."
- In lines 11-14, page 2, the bill authorizes a credit for taxpayers who have degrees "in early childhood education or a related field." Because the term "related field" could be ambiguous, language likely could be added to clarify what would be considered a related field.

This bill does not contain an emergency clause. The bill states that it will become effective retroactively for tax years beginning on or after January 1, 2019.