

1 State of Arkansas  
2 80th General Assembly  
3 Regular Session, 1995

# A Bill

SENATE BILL 589

4 By: Senators Cassady, Scott, Fitch, and Bell  
5 By: Representatives Roberts, Hogue, and Wagner

## For An Act To Be Entitled

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7  
8 "AN ACT TO REPEAL ARKANSAS CODE 26-52-401(30) AND TO AMEND  
9 VARIOUS SECTIONS OF THE ARKANSAS CODE TO CLARIFY THE  
10 PROVISIONS RELATING TO THE REFUND OF SALES AND USE TAXES  
11 PAID ON CONSTRUCTION MATERIALS AND FURNISHINGS FOR CERTAIN  
12 CHILD CARE SERVICES FACILITIES AND THE PROVISIONS RELATING  
13 TO INCOME TAX CREDITS FOR BUSINESSES WHICH PROVIDE CHILD  
14 CARE SERVICES FOR EMPLOYEES; AND FOR OTHER PURPOSES."

## Subtitle

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16  
17 "TO CLARIFY PROVISIONS RELATING TO  
18 REFUND OF TAXES ON CONSTRUCTION  
19 MATERIALS FOR CHILD CARE SERVICES AND  
20 RELATING TO TAX CREDITS FOR BUSINESSES  
21 WHICH PROVIDE CHILD CARE SERVICES FOR  
22 EMPLOYEES."

23  
24 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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26 SECTION 1. Ark. Code Ann. §6-45-109 is hereby amended to read as  
27 follows:

28 "6-45-109. Certification by the Department of Education.

29 (a) The Arkansas Department of Education shall certify child care  
30 facilities which have an appropriate early childhood program, as defined in §  
31 6-45-103(2). Certification numbers shall be issued to those child care  
32 facilities which meet the applicable qualifications.

33 (b) Upon certification of the child care facilities, the Department  
34 of Education shall provide a listing of all certified facilities and their  
35 certification numbers to the Director of the Department of Finance and

1 Administration for the purpose of the income tax credit or refund provided  
2 for *in § 26-51-507.*"

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4 SECTION 2. Ark. Code Ann. § 26-52-401(30) is repealed in its entirety.

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6 SECTION 3. Chapter 52 of Title 26 is amended by adding a new section  
7 to read as follows:

8 "(a) A business which operates, or contracts for the operation of, a  
9 child care facility for the primary purpose of providing child care services  
10 to its employees may obtain a refund of the gross receipts tax paid on the  
11 purchase of construction materials and furnishings used in the initial  
12 construction and equipping of the child care facility after the facility is  
13 licensed pursuant to Ark. Code Ann. § 20-78-201 et seq. *and certified as*  
14 *having an appropriate early childhood program pursuant to Ark. Code Ann. § 6-*  
15 *45-109.*

16 (b) Child care facility means a child care facility licensed pursuant  
17 to Ark. Code Ann. § 20-78-201 et seq. To qualify as a child care facility,  
18 the child care must provide an appropriate early childhood program as  
19 defined in Ark. Code Ann. § 6-45-103(2). A child care facility may be  
20 operated for the use of one (1) or more employers."

21

22 SECTION 4. Ark. Code Ann. § 26-53-132 is amended to read as follows:

23 "26-53-132. Refund for construction of child care facility.

24 (a) A business which operates, or contracts for the operations of, a  
25 child care facility for the primary purpose of providing child care services  
26 to its employees may obtain a refund of the compensating use tax paid on the  
27 purchase of construction materials and furnishings used in the initial  
28 construction and equipping of the child care facility after the facility is  
29 licensed pursuant to Ark. Code Ann. § 20-78-201 et seq.

30 (b) Child care facility means a child care facility licensed pursuant  
31 to Ark. Code Ann. § 20-78-201 et seq. To qualify as a child care facility,  
32 the child care must provide an appropriate early childhood program as  
33 defined in Ark. Code Ann. § 6-45-103(2). A child care facility may be  
34 operated for the use of one (1) or more employers."

35

1 SECTION 5. Subchapter 5 of Chapter 51 of Title 26 of the Arkansas Code  
2 of 1987 is hereby amended by adding a new section to read as follows:

3 "(a) A business which qualifies for the refund of the Gross Receipts  
4 Tax or Compensating Use Tax under Section 3 or 4 of this Act shall be allowed  
5 an income tax credit of three and nine-tenths percent (3.9%) of the annual  
6 salary of its employees employed exclusively in providing child care service,  
7 or a five thousand dollar (\$5,000) income tax credit for the first tax year  
8 the business provides its employees with a child care facility.

9 (b) If two (2) or more businesses participate in a child care program  
10 for their employees as provided by Section 3 or 4 of this Act, then each  
11 business will be allowed an income tax credit of three and nine-tenths  
12 percent (3.9%) of the annual salary of only those employees who are on the  
13 respective business' payroll and are employed exclusively for providing child  
14 care services. The first year five thousand dollar (\$5,000) credit will be  
15 prorated among the businesses based upon the percentage of the cost paid by  
16 each business for the initial construction and equipping of the child care  
17 facility.

18 (c) To qualify for the income tax credit, the revenue to the business  
19 or businesses from the child care facility cannot exceed the direct operating  
20 costs of the facility. If, on an annual basis, the business receives  
21 revenues from the operation of the child care facility which exceeds the  
22 direct operating costs of the facility, the business(es) will not be entitled  
23 to the income tax credit. For the purposes of this Act, direct operating  
24 costs means the cost of food and beverages provided to the children; the cost  
25 of labor for personnel whose services are performed exclusively on the  
26 premises of the child care facility for the care of the children and all  
27 related employment taxes paid by the employer; and all materials and supplies  
28 necessary to operate the child care facility.

29 (d) The income tax credit created by section (a) shall first be  
30 available in the taxable year following the year the business makes payment  
31 of wages to child care workers. To the extent that the credit is not fully  
32 utilized in this first year, it may be carried forward for an additional two  
33 (2) years. Any credit remaining thereafter shall expire."

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35 SECTION 6. Arkansas Code § 26-51-507(e) is amended to read as follows:



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