



HB26-1004 | Continuation of Child Care Contribution Tax Credit

STATUS: Introduced in the House, assigned to Finance committee. No hearings scheduled yet.

SPONSORS: Rep. Julie McCluskie (D), Rep. Jarvis Caldwell (R), Sen. James Coleman (D), Sen. Cleave Simpson (R)

SUMMARY: Under current law, for income tax years commencing prior to January 1, 2028, a taxpayer who makes a qualifying monetary contribution to promote child care in the state is allowed an income tax credit that is equal to 50% of the total value of the contribution, not to exceed \$100,000. The bill extends this tax credit for 10 years. This extension allows more time for taxpayers to receive a significant tax benefit for giving to child care providers and for child care providers to benefit from increased private contributions.

FISCAL NOTES: No fiscal note at this time

SUPPORT: No currently registered support, expect this to change as the bill advances

OPPOSITION: No currently registered opposition

PROS

- By extending the tax credit, the bill continues to incentivize individuals and businesses to donate to child care providers, increasing private funding flowing into the child care sector that might not otherwise be available. Taxpayers can claim a credit equal to 50% of their qualifying child care contribution (up to \$100,000).
- Many child care providers operate on razor-thin margins. The tax credit helps boost their operating revenues or capital reserves by encouraging larger contributions.
- The credit applies to individuals, estates trusts, and corporations, potentially expanding pool of donors.

CONS

- Because the tax credit benefits taxpayers with sufficient tax liability, higher-income individuals and profitable corporations are more likely to utilize it effectively.
- Lower-income taxpayers who contribute but lack sufficient tax liability will get less or no direct benefit — which could limit the equitability of the policy.
- Policymakers might view the private tax credit as a substitute for direct state investments in child care (e.g., quality initiatives, workforce compensation), potentially crowding out more strategic public spending.