

Regulations for Administering the Daycare Facility Act Act 820 of 1993 as Amended by Act 850 of 1995

To qualify, companies must operate or contract the operations of a child care facility for the primary purpose of providing child care services to its employees, and be certified by the Arkansas Department of Education, Arkansas Early Childhood Commission as having an appropriate early childhood program. The company shall not qualify for income tax credits if its revenues from the operation of the child care facility exceed its direct operating costs of the facility. Two or more companies may participate in a single child care program.

For additional information contact:

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Definitions:

As herein used in this act:

- (1) "Child care facility" means any facility that provides care, training, education, custody, or supervision for any unrelated minor child, whether or not the facility is operated for profit, and whether or not the facility makes a charge for the services offered by it;
- (2) "Appropriate early childhood program" means a developmentally appropriate program for young children approved by the Arkansas Department of Education, Arkansas Early Childhood Commission;
- (3) "Direct operating costs" means the cost of food and beverages provided to the children; the cost of labor for personnel whose services are performed exclusively on the premises of the child care facility for the care of the children and all related employment taxes are paid by the employer; and all materials and supplies necessary to operate the child care facility.

Qualifications:

To qualify for the benefits of this act, the business or businesses must:

- (1) Operate or contract the operations of a child care facility for the primary purpose of providing child care services to its employees;
- (2) Be certified by the Arkansas Department of Education, Arkansas Early Childhood Commission as having an appropriate early childhood program.

Businesses that qualify for the refund of the gross receipts tax paid on the purchase of construction and equipping of the child care facility may also qualify for the income tax credit if the revenue of the business or businesses from the child care facility do not exceed the direct operating costs of the facility.

Benefits:

Businesses qualified for benefits from this incentive may choose from two options:

Option One

- (1) Obtain a refund of the gross receipts tax paid on the purchase of construction materials and furnishings used in the initial construction and equipping of the child care facility;
- (2) Receive 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. This credit can be received each year as long as the child care program is certified by Arkansas Early Childhood Commission.

Example: \$50,000 (*total annual salaries of child care workers*) x 3.9 % =
 \$1,950 income tax credit

If two or more businesses participate in a child care program for their employees, 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 businesses' payroll and are employed exclusively for child care services.

This option is not available to businesses that have contracted for the operations of the child care facility.

Option Two

- (1) Obtain a refund of the gross receipts tax paid on the purchase of construction materials and furnishings used in the initial construction and equipping of the child care facility;
- (2) Receive a five thousand dollar (\$5,000) income tax credit for the first year the business provides its employees with a child care facility.

If two or more businesses participate in a child care program for their employees, then the first year \$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 income tax credit shall first be available in the taxable year following the year the business makes payment of wages to child care workers. To the extent that the credit is not fully utilized in this first year, it may be carried forward for an additional two years.

Benefits are available for one year from the date of initial operation for 12 consecutive months.

Steps for Qualifying for Benefits from the Daycare Facility Act:

- (1) The business or businesses must submit an application with the Arkansas Department of Education, Arkansas Early Childhood Commission to be certified as having an appropriate early childhood program.
- (2) The business or businesses must submit an application with all supporting documentation to the Arkansas Industrial Development Commission (AIDC). AIDC reviews the application and verifies the eligibility of the business or businesses for benefits from this incentive. When approved, AIDC will furnish verification of eligibility to the applicant for use in filing for tax benefits. AIDC will also forward certification and supporting documents of eligible businesses to the Department of Finance and Administration (DF&A).
- (3) The Revenue Division of DF&A shall authorize a refund of sales and use taxes imposed by the state on the purchases of construction materials and furnishings used in the initial construction and equipping of the child care facility. DF&A shall also authorize tax credit benefits to eligible businesses.