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H.632

Introduced by Representatives Peltz of Woodbury, Donovan of Burlington,
Gilbert of Fairfax, Scheuermann of Stowe, Waite-Simpson of
Essex and Zenie of Colchester

Referred to Committee on

Date:

Subject: Taxation; income taxes; credit for child care

Statement of purpose: This bill proposes to provide an income tax credit for
companies that subsidize child care for their employees' dependents.

An act relating to an income tax credit for employer-subsidized child care

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 32 V.S.A. chapter 151, subchapter 11k is added to read:

Subchapter 11k. Additional Tax Credits

§ 5930gg. EMPLOYER-ASSISTED DEPENDENT CARE TAX CREDIT

(a) A credit against the taxes otherwise due under this chapter shall be
allowed to a resident employer or to a corporation that is an employer for
amounts paid or incurred during the taxable year by the employer for
dependent care assistance actually provided to an employee if the assistance is
furnished pursuant to a program which meets the requirements of Section

1 129(d) of the Internal Revenue Code and if the employer has received a
2 certificate as provided in subsection (b) of this section.

3 (b) Each employer that elects to receive a credit allowed under
4 subsection (a) of this section must submit an application to the department for
5 children and families each year the employer wishes to receive the credit. The
6 department shall prescribe by rule the form of the application and the
7 information required to be given on the application. The department shall
8 issue a certificate to each eligible employer that submits an application under
9 this subsection.

10 (c) The amount of the credit allowed under subsection (a) of this section
11 shall be 50 percent of the amount so paid or incurred by the employer during
12 the taxable year but shall not exceed \$2,500.00 of dependent care assistance
13 actually provided to the employee or \$25,000.00 of aggregate dependent care
14 assistance actually provided by the employer to all employees.

15 (d)(1) A credit against the taxes otherwise due under this chapter shall be
16 allowed to a resident employer, or to a corporation that is an employer, based
17 upon amounts paid or incurred by the employer during the taxable year to
18 provide information and referral services to assist employees of the employer
19 employed within this state to obtain dependent care.

20 (2) The amount of the credit allowed under this subsection shall be 50
21 percent of the amounts paid or incurred during the taxable year.

1 (e) No amount paid or incurred during the taxable year of an employer in
2 providing dependent care assistance to any employee shall qualify for the
3 credit allowed under subsection (a) of this section if the amount was paid or
4 incurred to an individual described in Section 129(c)(1) or (2) of the Internal
5 Revenue Code.

6 (f) No amount paid or incurred by an employer to provide dependent care
7 assistance to an employee shall qualify for the credit allowed under subsection
8 (a) of this section if the amount paid or incurred is paid or incurred pursuant to
9 a salary reduction plan or is not paid or incurred for services performed within
10 this state.

11 (g) If the credit allowed under subsection (a) or (d) of this section is
12 claimed, the amount of any deduction allowed or allowable under this chapter
13 for the amount that qualifies for the credit (or upon which the credit is based)
14 shall be reduced by the dollar amount of the credit allowed. The election to
15 claim a credit allowed under this section shall be made at the time of filing the
16 tax return in accordance with any rules adopted by the department of taxes.

17 (h) The amount upon which the credit allowed under subsection (a) of this
18 section is based shall not be included in the gross income of the employee to
19 whom the dependent care assistance is provided. However, the amount
20 excluded from the income of an employee under this section shall not exceed
21 the limitations provided in Section 129(b) of the Internal Revenue Code.

1 (i) A nonresident shall be allowed the credit allowed under subsection (a)
2 or (d) of this section. The credit shall be computed in the same manner and be
3 subject to the same limitations as the credit granted to a resident.

4 (j) Any tax credit otherwise allowable under this section which is not used
5 by the taxpayer in a particular year may be carried forward and offset against
6 the taxpayer's tax liability for the next succeeding five tax years.

7 (k) For purposes of the credit allowed under subsection (a) or (d) of this
8 section:

9 (1) The definitions and special rules contained in Section 129(e) of the
10 Internal Revenue Code shall apply to the extent applicable.

11 (2) "Employer" means an employer carrying on a business, trade,
12 occupation, or profession in this state.

13 (l) In the case of an on-site facility, in accordance with any rules adopted
14 by the department, the amount upon which the credit allowed under subsection
15 (a) of this section is based, with respect to any dependent, shall be based upon
16 utilization and the value of the services provided.

17 Sec. 2. EFFECTIVE DATE

18 This act shall take effect upon passage and shall apply to tax years
19 beginning on or after January 1, 2011.