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FISCAL IMPACT REPORT

SPONSOR: Taylor DATE TYPED: 2/4/03 HB 356

SHORT TITLE: Child Daycare Gross Receipts Deduction SB _____

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(1,335.0)	(1,455.0)	Recurring	General Fund
	(890.0)	(970.0)	Recurring	Local Funds

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From

TRD

SUMMARY

Synopsis of Bill

House Bill 356 bill provides a gross receipts tax deduction for the receipts of child daycare providers received pursuant to a contract with the Children, Youth and Families Department (CYFD).

FISCAL IMPLICATIONS

TRD relied on CYFD numbers for this analysis. They reported paying \$68 million in daycare subsidies in FY 2000. The funds come primarily from the federal child daycare block grant, which provides childcare assistance programs for low-income families. The 1997 Economic Census reports that 58% of total payments for child daycare services were to for-profit daycare providers, 42% to non-profit providers. 501(c)(3) non-profit providers are not subject to gross receipts tax under current law. This estimate assumes modest growth in CYFD daycare subsidies to \$70 million for FY 2004, suggesting that approximately \$40 million in payments.

OTHER SUBSTANTIVE ISSUES

TRD makes the following observation about unintended consequences:

“Under this bill, amounts reimbursed by CYFD are deductible, but co-payments made by parents are not. Most parents participating in the childcare subsidy program are required to pay some fraction of the cost of their child’s care. The percentage of costs payable by the family increases with family income, but total reimbursement to the provider (state share plus family share) is the same regardless of family income. Providing a gross receipts tax deduction for the state’s share but not the family’s share of childcare costs makes providing care to some subsidized families more profitable than providing care to others. Also, this could cause a significant amount of complication for providers as they try to determine how much GRT to charge each of their clients.”

SS/njw