

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Support Maine Families by Increasing the Dependent Care Credit

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §5218, as amended by PL 2015, c. 267, Pt. DD, §24 and affected by §34, is further amended to read:

§ 5218. Income tax credit for child care expenses

1. Resident taxpayer. A resident individual is allowed a credit against the tax otherwise due under this Part in the amount of 25% of the federal tax credit allowable for child and dependent care expenses in the same tax year, except that for tax years beginning in ~~2003, 2004 and 2005~~ or after 2017, the applicable percentage is ~~21.5%~~ 50% instead of 25%.

2. Nonresident taxpayer. A nonresident individual is allowed a credit against the tax otherwise due under this Part in the amount of 25% of the federal tax credit allowable for child and dependent care expenses multiplied by the ratio of the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal adjusted gross income, as modified by section 5122, except that for tax years beginning in ~~2003, 2004 and 2005~~ or after 2017, the applicable percentage is ~~21.5%~~ 50% instead of 25%.

2-A. Part-year resident taxpayer. An individual who files a return as a part-year resident in accordance with section 5224-A is allowed a credit against the tax otherwise due under this Part in the amount of 25%, except that for tax years beginning in ~~2003, 2004 and 2005~~ or after 2017, the applicable percentage is ~~21.5%~~ 50%, instead of 25%, of the federal tax credit allowable for child and dependent care expenses multiplied by a ratio, the numerator of which is the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph A for that portion of the taxable year during which the individual was a resident plus the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph B for that portion of the taxable year during which the individual was a nonresident and the denominator of which is the individual's entire federal adjusted gross income, as modified by section 5122.

3. Quality child care services. The credit provided by subsections 1, 2 and 2-A doubles in amount if the child care expenses were incurred through the use of quality child care services as defined in section 5219-Q, subsection 1.

4. Refund. The credit allowed by this section may result in a refund of up to \$500 except, in the case of a nonresident individual, the credit may not reduce the Maine income tax to less than zero. ~~In~~ For tax years beginning in or after 2017, the refundable amount is \$750 in the case of an individual who files a return as a part-year resident in accordance with section 5224-A, the refundable portion of the credit may not exceed \$500 or, for tax years beginning in or after 2017, \$750 multiplied by a ratio, the

numerator of which is the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph A for that portion of the taxable year during which the individual was a resident plus the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph B for that portion of the taxable year during which the individual was a nonresident and the denominator of which is the individual's entire federal adjusted gross income, as modified by section 5122.

SUMMARY

This bill increases the income tax credit for child care expenses from 25% to 50% of the federal tax credit allowable for child and dependent care expenses and increases the amount that is refundable from \$500 to \$750. The increase applies to tax years beginning in or after 2017.