



# 127th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2015

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Legislative Document

No. 930

S.P. 321

In Senate, March 17, 2015

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**An Act To Attract Young Families to Maine and Keep Young  
Families in Maine by Expanding the Child Care Tax Credit**

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script, reading "Heather J.R. Priest".

HEATHER J.R. PRIEST  
Secretary of the Senate

Presented by Senator ALFOND of Cumberland.  
Cosponsored by Representative CHENETTE of Saco and  
Senators: HASKELL of Cumberland, JOHNSON of Lincoln, LIBBY of Androscoggin,  
MILLETT of Cumberland, Representative: HICKMAN of Winthrop.

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

2 **Sec. 1. 36 MRSA §5218**, as amended by PL 2005, c. 519, Pt., DD, §§1 to 3, is  
3 further amended to read:

4 **§5218. Income tax credit for child care expenses before 2015**

5 **1. Resident taxpayer.** ~~A~~ For tax years beginning before January 1, 2015, a resident  
6 individual is allowed a credit against the tax otherwise due under this Part in the amount  
7 of 25% of the federal tax credit allowable for child and dependent care expenses in the  
8 same tax year, except that for tax years beginning in 2003, 2004 and 2005, the applicable  
9 percentage is 21.5% instead of 25%.

10 **2. Nonresident taxpayer.** ~~A~~ For tax years beginning before January 1, 2015, a  
11 nonresident individual is allowed a credit against the tax otherwise due under this Part in  
12 the amount of 25% of the federal tax credit allowable for child and dependent care  
13 expenses multiplied by the ratio of the individual's Maine adjusted gross income, as  
14 defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal  
15 adjusted gross income, as modified by section 5122, except that for tax years beginning in  
16 2003, 2004 and 2005, the applicable percentage is 21.5% instead of 25%.

17 **2-A. Part-year resident taxpayer.** ~~As~~ For tax years beginning before January 1,  
18 2015, an individual who files a return as a part-year resident in accordance with section  
19 5224-A is allowed a credit against the tax otherwise due under this Part in the amount of  
20 25%, except that for tax years beginning in 2003, 2004 and 2005 the applicable  
21 percentage is 21.5%, instead of 25%, of the federal tax credit allowable for child and  
22 dependent care expenses multiplied by a ratio, the numerator of which is the individual's  
23 Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph A for  
24 that portion of the taxable year during which the individual was a resident plus the  
25 individual's Maine adjusted gross income as defined in section 5102, subsection 1-C,  
26 paragraph B for that portion of the taxable year during which the individual was a  
27 nonresident and the denominator of which is the individual's entire federal adjusted gross  
28 income, as modified by section 5122.

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

32 **4. Refund.** The credit allowed by this section may result in a refund of up to \$500.  
33 In the case of a nonresident individual, the refundable portion of the credit may not  
34 exceed \$500 multiplied by the ratio of the individual's Maine adjusted gross income, as  
35 defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal  
36 adjusted gross income, as modified by section 5122. In the case of an individual who  
37 files a return as a part-year resident in accordance with section 5224-A, the refundable  
38 portion of the credit may not exceed \$500 multiplied by a ratio, the numerator of which is  
39 the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C,  
40 paragraph A for that portion of the taxable year during which the individual was a  
41 resident plus the individual's Maine adjusted gross income as defined in section 5102,  
42 subsection 1-C, paragraph B for that portion of the taxable year during which the

1 individual was a nonresident and the denominator of which is the individual's entire  
2 federal adjusted gross income, as modified by section 5122.

3 **Sec. 2. 36 MRSA §5218-A** is enacted to read:

4 **§5218-A. Income tax credit for child care expenses beginning in 2015**

5 **1. Resident taxpayer.** For tax years beginning on or after January 1, 2015, a  
6 resident individual is allowed a credit against the tax otherwise due under this Part in the  
7 amount of 100% of the federal tax credit allowable for child and dependent care expenses  
8 in the same tax year.

9 **2. Nonresident taxpayer.** For tax years beginning on or after January 1, 2015, a  
10 nonresident individual is allowed a credit against the tax otherwise due under this Part in  
11 the amount of 100% of the federal tax credit allowable for child and dependent care  
12 expenses multiplied by the ratio of the individual's Maine adjusted gross income, as  
13 defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal  
14 adjusted gross income, as modified by section 5122.

15 **3. Part-year resident taxpayer.** For tax years beginning on or after January 1,  
16 2015, an individual who files a return as a part-year resident in accordance with section  
17 5224-A is allowed a credit against the tax otherwise due under this Part in the amount of  
18 100% of the federal tax credit allowable for child and dependent care expenses multiplied  
19 by a ratio, the numerator of which is the individual's Maine adjusted gross income as  
20 defined in section 5102, subsection 1-C, paragraph A for that portion of the taxable year  
21 during which the individual was a resident plus the individual's Maine adjusted gross  
22 income as defined in section 5102, subsection 1-C, paragraph B for that portion of the  
23 taxable year during which the individual was a nonresident and the denominator of which  
24 is the individual's entire federal adjusted gross income, as modified by section 5122.

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

28 **5. Refundability.** The tax credit under this section is refundable after the  
29 application of nonrefundable credits. In the case of a nonresident individual, the  
30 refundable portion of the credit may not exceed 100% or, in the case of child care  
31 expenses eligible to be doubled pursuant to subsection 4, 200% of the federal tax credit  
32 allowable for child and dependent care expenses in the same tax year multiplied by the  
33 ratio of the individual's Maine adjusted gross income, as defined in section 5102,  
34 subsection 1-C, paragraph B, to the individual's entire federal adjusted gross income, as  
35 modified by section 5122. In the case of an individual who files a return as a part-year  
36 resident in accordance with section 5224-A, the refundable portion of the credit may not  
37 exceed 100% or, in the case of child care expenses eligible to be doubled pursuant to  
38 subsection 4, 200% of the federal tax credit allowable for child and dependent care  
39 expenses in the same tax year multiplied by a ratio, the numerator of which is the  
40 individual's Maine adjusted gross income as defined in section 5102, subsection 1-C,  
41 paragraph A for that portion of the taxable year during which the individual was a  
42 resident plus the individual's Maine adjusted gross income as defined in section 5102,

1 subsection 1-C, paragraph B for that portion of the taxable year during which the  
2 individual was a nonresident and the denominator of which is the individual's entire  
3 federal adjusted gross income, as modified by section 5122.

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#### **SUMMARY**

5 This bill amends the income tax credit for child care expenses by increasing the credit  
6 from 25% of the federal tax credit allowable for child and dependent care expenses to  
7 100% of that federal tax credit for tax years beginning on or after January 1, 2015. This  
8 bill also makes the credit completely refundable.