



1 February 2018

The Honorable Jim Smith, Chair  
Members of the Revenue Committee  
Nebraska Unicameral Legislature

RE: LB1108

Chairman Smith and Members of the Revenue Committee,

We at First Five Nebraska know you go to great length to fully consider tax policy proposals brought before you, and we appreciate your attention to detail in pursuing incentives that will achieve very strategic purposes. Thank you for the opportunity to testify today.

First Five Nebraska focuses exclusively on policies impacting young children at risk of failing in school, and the high quality early experiences that close the achievement gap at the time it is most effective and least expensive to do so. For purposes of clarity, my comments are intended to address only the School Readiness Tax Credit portion of LB1108. I am not able to speak to the other sections.

A few years ago, this Committee considered, advanced, and the Legislature adopted the School Readiness Tax Credit Act aimed at addressing workforce barriers for early childhood providers, as well as provide incentives for programs to improve their quality and serve the children most at risk of failing in school. 2017 was the first year these tax credits were available, and the information we have suggests 142 early childhood providers located across the state (not just urban areas) will receive the credit. That's great news.

Regarding the changes to the School Readiness Tax Credit Act proposed in LB1108, we support removing the sunset, as well as increasing the tax credit rates for one main reason: the tax credits are specifically tied to levels of quality that close the achievement gap. The single most important factor in early childhood programs that successfully close that gap is the quality of the staff in those programs – and that's exactly what the increased rates in the School Readiness Tax Credit Act will purchase. We know what we're getting in exchange for the tax credits we extend to providers. We're not just hoping to incentivize what we think will work. We're actually rewarding providers who provide the product we want.

I do want to point out that **First Five Nebraska strongly believes that children should receive quality early childhood experiences in their natural and inclusive**

**environments.** That means serving children where they already are, not moving them to new programs or suggesting one type of setting is “better” than another. It doesn’t matter if the child is in a home-based child care program offered by Mrs. Smith down the street, or in the local preschool program offered by a school district. Both of those environments can provide the level of quality that supports a child’s healthy development. Both environments can provide the level of quality that reduces the achievement gap. I bring this up because home-based child care providers currently encounter difficulty accessing the tax credits. We would like to see that remedied.

The challenge arises due to the definition of “employee.” Typically, home-based child care providers (known as Family Child Care Home providers in rule) set up their business without the structure that qualifies them as an employee, therefore they are unable to access the refundable tax credit aimed at an individual member of the early childhood workforce. We don’t have specific language for a solution yet, but we are confident that this tax credit was intended for all members of the early childhood workforce, including home-based providers. We are committed to working with Senator Harr and the Revenue Committee, as well as with the Departments of Revenue and Education, to remedy this situation.

With an amendment to address this access issue for home-based child care providers, First Five Nebraska strongly supports the School Readiness Tax Credit portion of this bill and urges its advancement.

Thank you,



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