



February 1, 2019

Senator Lou Anne Linehan, Chair  
Members of the Revenue Committee  
Nebraska Legislature

RE: LB266

Chairwoman Linehan and Members of the Revenue Committee,

Thank you for allowing me to testify today. My name is Elizabeth Everett and I am a Policy Associate with First Five Nebraska, a statewide early childhood policy organization. I am here today to testify in support of LB266.

I would like to start off by expressing gratitude to Senator Lindstrom for introducing this clean-up bill for the School Readiness Tax Credit. These tax credits expire in 2022, so we believe it's imperative to get this language corrected so these child care employees and providers can take advantage of this financial incentive.

The School Readiness Tax Credit was passed in 2016 and provides two new tax credits for child care employees and providers who participate in Nebraska's quality rating and improvement system, also known as Step Up to Quality. The refundable tax credit is available to employees who work at a Step Up to Quality rated program and who have been a part of the Nebraska Early Childhood Professional Record System, or NECPRS, for at least six months. The dollar amount for the refundable tax credit varies depending on the employees' credentials. The nonrefundable tax credit is available to providers who are at a Step 3 or above in the Step Up to Quality system. Again, the dollar amount varies depending on the program's quality rating and the number of children participating in the childcare subsidy program who attend the provider's program. Unfortunately, we have learned that certain child care providers and employees are unable to benefit from the tax credit because of current statutory language. Right now, self-employed individuals are not eligible for the refundable tax credit and child care providers that are classified as a S Corp are not eligible for the nonrefundable tax credit. This was not the intent of the original bill. LB266 provides clarifying language so both self-employed individuals and S Corps are eligible for the tax credits.

First Five Nebraska believes these tax credits help offset some of the costs for child care employees and providers. Self-employed family home providers often put their own personal money back into their small business, so they can provide quality child care without raising the rates for parents. Further, this financial incentive would encourage more people to join Step Up to Quality and potentially move up the quality rating system, resulting in greater numbers of high-quality child care programs for children in Nebraska.

As Senator Lindstrom has said, Nebraska consistently ranks among the highest states in the nation for the percentage of parents who actively participate in the workforce. Given our state's workforce needs, it is extremely important that these families have access to high-quality child care options so parents can attend to their jobs knowing their children are being cared for in safe, reliable and developmentally positive settings. Improving how the School Readiness Tax Credit works is a part of the solution to this challenge.

Again, thank you for allowing me to testify today. If you have any questions, I would be happy to answer them.

Thank you,

A handwritten signature in cursive script that reads "Elizabeth Everett".

Elizabeth Everett  
Policy Associate  
First Five Nebraska