



January 24, 2025

Senator Brad von Gillern, Chair
Members of the Revenue Committee
Nebraska Legislature

RE: LB182

Chair von Gillern and Members of the Revenue Committee,

Thank you for the opportunity to testify today. My name is Elizabeth Everett, and I am the Deputy Director for First Five Nebraska. First Five Nebraska is a statewide public policy organization focused on promoting the early care, education and healthy development of our state's youngest children. I am here today to testify in support of the sections of LB182 addressing the Child Care Tax Credit and would like to thank Senator Bostar for his leadership on this issue.

In 2023, the Nebraska Legislature passed LB754, which included provisions for creating the Child Care Tax Credit Act. This Act established two separate tax credits. The first is a tiered, refundable tax credit for qualifying parents and guardians of young children in child care with a household income of \$150,000 or less. The second is a nonrefundable tax credit for qualifying contributions that support the availability of, or access to, child care options in the state. For the purposes of this testimony, I will only be speaking about the nonrefundable contribution tax credit.

To receive the nonrefundable Child Care Tax Credit, eligible applicants must make a qualifying contribution to child care, then submit an application to the Nebraska Department of Revenue for the same tax year in which that contribution was made. Eligible applicants include any individual or entity subject to state income tax. Qualifying contributions may include financial donations to establish or expand a child care program, strengthen the early childhood professional workforce, provide child care tuition assistance to families in need, among other uses.

The contribution tax credit went into effect with the 2024 tax year. Since that time, it has been enthusiastically embraced by taxpaying individuals and entities throughout the state. In 2024, nearly \$2,546,000 was requested by contributors, exceeding the annual \$2.5M cap on the nonrefundable contribution credit. To date, \$101,000 has already been requested for the 2025 tax year. Many contributors have stated that the availability of the tax credit was pivotal in their decision to make qualifying contributions to child care in the previous and current tax years.

While the nonrefundable Child Care Tax Credit is open to most taxpaying entities, it has become apparent that the original legislative language unintentionally excluded financial institutions and insurance companies as eligible contributors. This is because these entities are subject either to franchise taxes in the case of financial institutions, or premium and related retaliatory taxes in the case of insurance companies. These types of tax liabilities were not accounted for in the language of LB754. LB182 is a simple fix that would expand accessibility of the nonrefundable Child Care Tax Credit so financial institutions and insurance companies could utilize it.

Currently in Nebraska, child care programs are struggling to meet their operational expenses, even as families are struggling to afford the rising costs of care. The nonrefundable Child Care Tax Credit is emerging as a viable way to involve Nebraska's private sector in addressing these challenges. In that respect, widening the accessibility of the tax credit can only work to the advantage of families, communities and our state.

Again, thank you for the opportunity to testify today. I will be happy to answer any questions to the best of my ability.

Sincerely,

A handwritten signature in black ink that reads "Elizabeth Everett". The signature is written in a cursive, flowing style.

Elizabeth Everett
Deputy Director
First Five Nebraska