Overview

This bill lowers the maximum income level for eligibility for the basic sliding fee child care assistance from 75 percent of median income to 200 percent of poverty and increases the minimum parent co-payment from $5 to $10 per month. The bill also makes changes to the dependent care credit by increasing the income at which the dependent care tax credit begins to phase out from $17,730 to $25,250, and increasing the maximum income at which the credit is available from $31,080 to $45,900. Allows the young child credit component of the dependent care credit for children under age three; current law limits this component of the credit to children under age one.

Section

1 Basic sliding fee eligibility. Reduces the income eligibility for the basic sliding fee child care assistance program to 200 percent of the federal poverty guidelines ($27,760 for a three person family) from 75 percent of state median income ($35,406 for a three person family) as established in rule.

2 Basic sliding fee upper income limit. Reduces the upper income limit for the basic sliding fee child care assistance program to 200 percent of the federal poverty guidelines from an upper limit within the income range of 70 percent to 9 percent of state median income. Under the current rules, the income limit is set at 75 percent of median income.

3 Child care assistance parent copayment. Increases the minimum parent fee from $5 per month to $10 per month for families with incomes between 75 percent and 100 percent of the poverty guidelines ($10,410 to $13,880 for a three person family).

4 Young child tax credit. Extends the young child credit component of the dependent care tax credit to children under age three. Under current law, the credit provides that married couples filing joint returns with a child under age one have deemed child care expenses that qualify them for the maximum dependent care credit of $720. The credit follows the same income
phaseout schedule as the dependent care credit.

5  **Dependent care tax credit.** Increases the income at which the dependent care credit begins to phase out from $17,730 to $25,520, and slows down the rate of the phaseout so that the credit will be available to claimants with incomes up to $45,900. Under current law, the credit is fully phased-out when income reaches $31,080. The new phaseout floor approximately equals 185 percent of the federal poverty guidelines for a family of three.

6  **Transition period basic sliding fee.** Provides a transition period for reducing income eligibility for the basic sliding fee. Beginning September 1, 1999, counties may no longer accept new applicants with incomes above 200 percent of poverty. By September 1, 1999, the commissioner of children, families and learning and counties administering child care assistance must provide notice of the change to participating families. The notice must inform them that they will be ineligible beginning October 1, 1999. The notice must also contain information on other forms of child care assistance, including tax credits.

7  **Effective date.** The expansion of the young child credit and dependent care credit are effective beginning in tax year 1999.