

# Senate Ways and Means Committee

*Sonja Caldwell 271-2117*

**SB 208-FN**, establishing a working families property tax refund program.

**Hearing Date:** February 22, 2017

**Members of the Committee Present:** Senators Sanborn, Daniels, D'Allesandro and Feltes

**Members of the Committee Absent:** Senator Giuda

**Bill Analysis:** This bill establishes a working families property tax refund program for a portion of state education property taxes paid by taxpayers who claimed the federal child and dependent care tax credit pursuant to Internal Revenue Code Section 21. The refunds are paid from the education trust fund.

**Sponsors:**

Sen. Feltes

Sen. Hennessey

Sen. Soucy

Sen. Woodburn

Rep. LeBrun

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**Who supports the bill:** Sen. Soucy, Sen. Woodburn, Sen. Feltes

**Who opposes the bill:** Will Anderson

**Who is neutral on the bill:** Carolyn Ward/Melissa Rollins (DRA)

**Summary of testimony presented:**

**Sen. Feltes**

- The two biggest cost drivers for working families are childcare and housing.
- This bill was introduced by Senator Hosmer last year to establish a working families property tax credit.
- Right now, on your federal return you can get a children and dependent tax credit. 21 states have dovetailed off that federal credit to create a state credit. One state applied it to property taxes; all others applied it to income taxes, which we don't have.
- This bill dovetails off the federal credit onto our property tax.
- It will provide relief to homeowners who are struggling to afford childcare and dependent care.
- Under the federal credit, applicable expenses include child care and dependent care (adult) expenses. If you have a child with disabilities with in home care requirements, you can apply for the federal credit. Another example of dependent care is a spouse that may be dying and in need of hospice care.

- Implementation will be very much the same as the way we administer the low to moderate income property tax credit right now. If you receive that credit, there will be an offset to this tax credit.
- The refund would be for 50% of what one received from the federal credit.
- To receive the federal credit, one must be working. The focus of this bill is to help working families afford their homes and afford child and dependent care. We have passed several bills providing tax relief for businesses; what have we done to provide tax relief to working families?
- Carollynn Ward from the DRA helped develop the bill.

**Sen. D'Allesandro** said his concern is that a significant number of people who need this are renters. He asked if there is any way to positively affect those people.

**Sen. Feltes** said yes. There is a different program that helps renters. The governor added more money to that program in his budget. It's called the childcare scholarship program. It's adjusted by federal poverty guidelines and is a tiered system. In terms of middle income folks, absent dramatically increasing those eligibility standards for the childcare scholarship program, this bill is the only relief for them. That's why this targets middle income folks.

**Sen. Sanborn** asked where in the bill it says that folks have to be working.

**Sen. Feltes** said the federal child and dependent tax credit only applies to income earners. This dovetails off of that. You would submit your federal return to show what you received there in order to receive the state refund.

**Sen. Sanborn** is concerned this will put a larger burden on all those who will be paying taxes who can't take advantage of this.

**Sen. Daniels** asked why we are giving credit on property taxes when local government has the ability to keep taxes down.

**Sen. Feltes** noted the state has already created a low to moderate income property tax relief program to help folks stay in their homes. This is consistent with that general policy.

**Sen. Sanborn** asked about the fiscal impact.

**Sen. Feltes** said that maximum impact is \$5.6 million but it will be even less if you take into account that it's offset by the low to moderate income tax credit.

#### **Carollynn Ward and Melissa Rollins – DRA**

The fiscal note contemplated the creation of a new position. Generally they can absorb the burden in their budget but with this, so many property tax payers might qualify, they expect it to be a high number of applications so they put a position in the fiscal note.

**Amanda Sears** – this bill is an important opportunity to help families. Childcare expenses have outpaced rent. It's a third of a family's income.