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## OLR Bill Analysis

### sHB 7240

#### ***AN ACT ESTABLISHING A CREDIT AGAINST THE PERSONAL INCOME TAX FOR OWNERS OF FAMILY CHILD CARE HOMES.***

#### **SUMMARY**

This bill establishes a refundable income tax credit for taxpayers who own a state-licensed family child care home. The credit equals \$500 and applies against the personal income tax, but not the withholding tax.

If the taxpayer is an S corporation or treated as a partnership for federal income tax purposes, the taxpayer's shareholders and partners may claim the credit. If the taxpayer is a single member limited liability company (LLC) that is disregarded for federal tax purposes, the LLC's owner may claim the credit as long as the owner is subject to the personal income tax.

If the credit exceeds the taxpayer's liability, the bill requires the Department of Revenue Services (DRS) commissioner to treat the excess as an overpayment and refund it without interest. By law, and under the bill, the DRS commissioner may withhold tax refunds to pay outstanding liabilities for other taxes and to reimburse the state for certain debts.

EFFECTIVE DATE: January 1, 2026, and applicable to tax years starting on or after that date.

#### **BACKGROUND**

##### ***Family Child Care Homes***

Family child care homes are state-licensed, private family homes generally caring for up to six children (or nine children, if the provider employs an approved staff member), including the provider's own children, who are not in school full-time. During the school year, the homes may take up to three additional children who are in school full-

time. These homes generally provide between 3 and 12 hours of care per day (with specified exceptions for extended care or intermittent short-term overnight care) (CGS § 19a-77(a)(3)).

***Related Bill***

sSB 1246, § 48, favorably reported by the Finance, Revenue and Bonding Committee, includes an identical provision.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 52 Nay 0 (04/24/2025)