

## SRTC 2017 - FAQs for Businesses

### 1. What are the School Readiness Tax Credits (SRTC) for Businesses and Employers?

The SRTCs are a package of refundable state tax credits designed to support quality child care. Some of these state tax credits are available to businesses and are NOT dependent on whether the business owes state income or corporate franchise taxes. Furthermore, the credits are available for both for-profit and non-profit businesses. There are two types of SRTCs available to businesses/employers:

- 1) a refundable state tax credit based on a percentage of the “eligible expenses” incurred in support of child care centers participating in Louisiana’s quality rating and improvement system, and
- 2) a refundable state tax credit for donations made to child care resource and referral agencies.

### 2. How do I file for the School Readiness Tax Credit?

You must contact your tax preparer or the Louisiana Department of Revenue for information on filing taxes.

### 3. What are the “eligible expenses?”

Eligible Expenses are:

1. The construction, renovation, expansion, or major repair of an eligible child care facility, or for the purchase of equipment for such facility, or for the maintenance and operation thereof, not to exceed \$50,000 in expenses per tax year; and/or
2. Payments made to an eligible child care facility for child care services to support employees, not to exceed \$5,000 per child per tax year; and/or
3. The purchase of child care slots at eligible child care facilities actually provided or reserved for children of employees, not to exceed \$50,000 per tax year.

In addition, businesses may receive a dollar for dollar refundable tax credit for up to \$5,000 for donations made to child care resource and referral agencies.

### 4. I submitted a claim for the SRTC. Where is my refund for the School Readiness Tax Credit?

Please contact the Louisiana Department of Revenue for refund status at 225-219-0102 (individual) or 225-219-7462 (business) or visit [http://revenue.louisiana.gov/sections/individual/school\\_readiness.aspx](http://revenue.louisiana.gov/sections/individual/school_readiness.aspx)

**5. How are the percentages of the eligible expenses determined?**

The amount of the tax credit is tied to the quality rating of the child care center as follows:

Star Rating of the Center	Percentage of Eligible Expenses
5 Star	20%
4 Star	15%
3 Star	10%
2 Star	5%
1 Star	0

**Example:** A local area restaurant owner decides to donate \$10,000 to help a neighborhood child care center with 3 stars renovate a play area. In this scenario, the restaurant owner would earn a \$1,000 refundable state tax credit (10% of \$10,000).

**6. Can my business take advantage of all three of the definitions of “eligible expenses?”**

Yes, the “eligible expenses” are cumulative so your business can donate up to \$50,000 for renovations, purchase up to \$50,000 in child care slots for your employees, and subsidize child care for as many employees as you wish (up to \$5,000 per child).

**Example:** A local area restaurant owner decides to donate \$10,000 to help a neighborhood child care center with 3 stars renovate a play area. In addition, this same owner provides a \$3,000 per child subsidy to 10 of his employees who can use these funds at the child care center of their choice. (For ease of illustration, we will assume all 10 employees chose to put their child at a 3 star center.) Also, the owner pre-purchases 10 child care slots at the 3 star center across the street from his restaurant at a total annual cost of \$40,000. Therefore, the total eligible expenses are: \$10,000 + \$30,000 + \$40,000 = \$80,000. As all of these efforts took place at a 3 star center, the owner would receive a refundable state tax credit of \$8,000 (10% of \$80,000). Note that if this owner also decided to donate \$5,000 to a Child Care Resource and Referral agency, then his credit would increase to \$13,000 (\$8,000 + \$5,000) as this component of the SRTC is dollar for dollar up to \$5,000 per Resource and Referral agency.

**7. How can my business receive a refundable state tax credit for donations to Child Care Resource and Referral Agencies?**

Businesses can receive a dollar for dollar refundable tax credit for up to \$5,000 for donations to Child Care Resource and Referral Agencies. These are private agencies that contract with the Department of Education to provide important information and services to parents and child care providers. The Louisiana Department of Education has contracted with the following agencies to be the [Child Care Resource and Referral agencies](#).

Region	Resource & Referral Agency	Executive Director	Local Phone Toll Free Phone	Web site
New Orleans	Agenda for Children	Elizabeth Kief	504-586-8509	<a href="http://www.agendaforchildren.org">www.agendaforchildren.org</a>
Baton Rouge	VOA/Partnerships in Child Care	Karen Powell	225-926-8005	<a href="http://www.voagbr.org">www.voagbr.org</a>
Covington	Agenda for Children	Elizabeth Kief	504-586-8509	<a href="http://www.agendaforchildren.org">www.agendaforchildren.org</a>
Thibodaux	Agenda for Children	Elizabeth Kief	985-446-8330	<a href="http://www.agendaforchildren.org">www.agendaforchildren.org</a>
Lafayette	On Track by 5 Alliance	Paula Granger	337-521-7208	<a href="http://www.lpssonline.com/site5819.php">http://www.lpssonline.com/site5819.php</a>
Pointe Coupee	Pointe Coupee Early Childhood Coalition	Ouida Forsyth	225-618-6688	<a href="http://jumpla.org/resources-referrals">http://jumpla.org/resources-referrals</a>
Lake Charles	VOA/Partnerships in Child Care	Angell Floyd	337-704-2838	<a href="http://www.excellenceforchildren.com">www.excellenceforchildren.com</a>
Alexandria	NSU Child and Family Network	Nancy Alexander	318-677-3150	<a href="http://CFN.NSULA.edu">CFN.NSULA.edu</a> or <a href="http://www.NSU-CFN.org">www.NSU-CFN.org</a>
Shreveport	NSU Child and Family Network	Nancy Alexander	318-677-3150	<a href="http://CFN.NSULA.edu">CFN.NSULA.edu</a> or <a href="http://www.NSU-CFN.org">www.NSU-CFN.org</a>
Monroe	Children's Coalition for NE Louisiana/Child Care Connections	Amy Clancy	318-323-8775	<a href="http://www.childrenscoalition.org">www.childrenscoalition.org</a>

**8. Can my business donate to more than one Resource and Referral Agency?**

Yes, businesses may claim a refundable tax credit for up to a maximum of \$5,000 in grants to one or more Child Care Resource and Referral agencies. Note, this credit is dollar for dollar and is not subject to the percentages listed above. The maximum amount of contribution can certainly exceed \$5,000 but the SRTC tax credit maximum is \$5,000.

**9. Which businesses are eligible to receive these tax credits?**

All businesses are eligible. A business is defined as any for-profit or not-for-profit entity and includes sole proprietors (so long as the individual is not acting in his/her personal capacity), partnerships, limited liability corporations and corporations. However, as it does not include any individual operating in their personal capacity, the SRTC is not available to individuals who make donations, as described above.

**10. Can a not-for-profit business receive these credits as well?**

Yes, but non-profits will need to register as a business with the Department of Revenue and receive a Louisiana tax ID number. Many non-profits will already be registered and have a state tax ID number because it is needed for withholding purposes for their employees. If for some reason a non-profit does not have a state tax ID number, please go to the [Louisiana Department of Revenue website](#) for more information. To claim the tax

credits, the non-profit will file a corporate income tax return claiming zeros for income (unless they have unrelated business taxable income) and claiming the refundable tax credits which will generate a refund.

**11. What is a tax credit, and how is it different from a tax deduction?**

A tax credit reduces the taxes paid, dollar-for-dollar. A tax deduction lowers taxable income.

**12. What is a refundable tax credit?**

A refundable tax credit is one that is available to a taxpayer even if they do not owe any taxes. Refundable tax credits first reduce the amount of taxes you owe by the amount of the credits. If the credits exceed your business' tax burden, then you will receive a check for the difference. For example, if your business earns \$20,000 in SRTCs and it owes \$25,000 in state taxes, its state tax bill will be reduced to \$5,000. However, if the business owed \$15,000 in state taxes, it will no longer owe those taxes and your business will receive a check for \$5,000. If you have a non-profit business and it does not owe any taxes, it will receive the full value of the SRTCs, in this example, a check for \$20,000.

**13. Where in the law does the SRTC for businesses exist? (What is the citation for the SRTC law?)**

You can find the law at La. Rev. Stat. § 47: 6102 and 6107-08. These can be accessed via the Web at: <http://www.legis.state.la.us/lss/lss.asp?doc=453231>, <http://www.legis.state.la.us/lss/lss.asp?doc=453236> and <http://www.legis.state.la.us/lss/lss.asp?doc=453237>

**Additional Guidance for the SRTC's:**

- [School Readiness Tax Credit Guidance and slides](#)
- [SRTC 2017 – FAQs for Staff and Directors](#)
- [SRTC 2017 – FAQs for Child Care Providers](#)
- [SRTC 2017 – FAQs for Parents](#)