

SRTC 2017 - FAQs for Child Care Providers

1. What is the School Readiness Tax Credit (SRTC)?

Beginning January 1, 2008 Louisiana will provide a refundable tax credit to child care centers participating in Louisiana's early care and education quality rating and improvement system. The size of the credit will be based on the center's star level and the number of children being served who are in the Child Care Assistance Program or are foster children in the custody of the DCFS. The credit is NOT dependent on whether the center owes income taxes, and is available for both for-profit and non-profit centers.

Star Rating of the Center	Tax Credit per Eligible Child
5 Star	\$1,500
4 Star	\$1,250
3 Star	\$1,000
2 Star	\$750
1 Star	\$0

Example: If ABC child care has earned 3 stars and serves 10 eligible children, then that provider is eligible for refundable Provider SRTC of up to 10 children x \$1,000 per child = \$10,000.

2. I filed for the Provider SRTC. Where is my refund for the School Readiness Tax Credit for Providers?

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

3. How will I find out about my Staff/Director form for the School Readiness Tax Credit?

All Childcare directors and staff members who are registered with [Louisiana Pathways](#) will receive a Child Care Director and Staff Member form by mail to the address registered with Louisiana Pathways by January 31st. For questions regarding your level please contact Louisiana Pathways at 1-800-245-8925.

4. When will I receive my provider certificate to file for the School Readiness Tax Credit?

Providers will receive a notice in December informing the center of their star rating for the 2017 tax year. This rating is based on the number of stars you had been most recently awarded through Quality Start. The certificate to file taxes will be mailed by March 1, 2018 identifying the star rating and average number of children.

5. 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.

6. What is my 2017 Star Rating based on?

The 2017 Star Rating your center is based on the most recently awarded rating that you received through Quality Start. You will receive a notification confirming this rating by March 2018. This rating should be used to complete your 2017 taxes.

Beginning in the 2018 tax year, child care centers star rating will be based on the Performance Profile rating a center had on July 1, 2018. That rating will be used to file your 2018 taxes (submitted early in 2019). More information on Performance Profiles can be found here: <http://www.louisianabelieves.com/early-childhood/performance-profiles>

7. Does our center have to file a return in order to receive the credit?

Yes, you will need to file a state return even if you are a non-profit center.

8. How can a non-profit child care center file a tax form?

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.

9. 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. A tax credit is generally more valuable to a taxpayer than a tax deduction of the same amount. For example, for a taxpayer in the 20-percent tax bracket, the value of a \$100 tax deduction is 20 percent (\$20). But the value of the same amount as a tax credit is 100 percent (\$100).

10. 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 tax burden, then you will receive a check for the difference. For example, if you are a 3 star center and serve 10 children in the Child Care Assistance Program and 10 children in the foster care program, you will earn \$20,000 in SRTC. If you owe \$25,000 in taxes, your tax bill will be reduced to \$5,000. However, if you owed \$15,000 in taxes, you will no longer owe those taxes and you will receive a check for \$5,000. If you are a non-profit child care center and do not owe any taxes, you will receive a check for \$20,000.

11. Which centers are eligible to receive the tax credit?

All licensed Type III child care centers are eligible to receive the SRTC each year if they: a) file a tax form, b) document that they serve children who are in the Child Care Assistance Program or are foster children in the

custody of the DCFS and c) document that they are participating in Louisiana's quality rating and improvement system.

12. How will I document the number of children I serve in the Child Care Assistance Program or foster care?

The Louisiana Department of Education will provide documentation to each qualifying provider of the average monthly number of children participating in the Child Care Assistance Program or in the Foster Care Program. If the provider has multiple sites, the Louisiana Department of Education will provide this information for each site. The certificate will be delivered or mailed to all qualifying child care providers by March 1 of the year following the year the credit is earned. The certificate will include the following information: the child care facility name, the child care facility star rating, the child care facility license number, the issue date and effective year and the number of children served for purposes of the SRTC. You must submit or maintain the certificate as required by the Secretary of the Department of Revenue in subsequent forms and instructions.

13. How is the total number of children served determined? Do children attending my child care program only half-time count?

The SRTC will be calculated based on the average monthly number of children participating full-time in the Child Care Assistance or Foster Care Program, from January to December of a calendar year, as follows:

- a. Full-time participation is considered when the Child Care Assistance or Foster Care Program pays for at least 12 days of service per child during the month; or
- b. Two part-time participants may be combined to equal one full-time participant for purposes of this calculation. A child is considered to be attending part-time when: the Child Care Assistance or Foster Care Program pays for at least 40 hours of service per child during the month; or the Child Care Assistance or Foster Care Program pays for at least 5 days but no more than 11 days of service per child during the month.

14. What do I have to do if my center is an LLC or an S corporation?

For child care providers that operate as flow through entities such as partnerships, LLCs electing partnership treatment, or S corporations passing credits through to shareholders, every partner, member or shareholder claiming the credit must submit or maintain copies of the information issued by the Department of Education for each site. Every partner, member, or shareholder claiming the credit must submit or maintain a schedule showing how the total credit is allocated to each partner, member or shareholder.

15. Are there increased payments for children in CCAP or foster care based on the number of stars of the center? How do I benefit from participating in Quality Start?

Child care centers will benefit from the system as it will help providers demonstrate their quality to parents. In addition, state reimbursement rates for children in the Child Care Assistance Program are increased based on the rating level of a center. In other words, a four star center will receive a higher state reimbursement than a two star center.

16. What are the Unified Bonus Payments for centers that accept children served through CCAP or in foster care?

The state provides tiered bonus payments at the end of each calendar quarter to eligible licensed Type III centers. These bonus payments are based on the number of children attending the center through the Child Care Assistance Program or are in foster care, and the star rating for that center. The payment is equal to a percentage of all payments from the Department for services provided during the quarter. These payments are made automatically in May, August, November, and February. The last payment based on the 2017 Tax Year Star Rating will be paid in February 2018. The first payment based on the new stars assigned for the 2018 Tax Year will be paid in May 2018.

The percentages for each year, January through December, are shown below, with the bonus for 2 Star centers being phased out over time to encourage improvement to quality:

Star Rating	Quarterly Unified Bonus Received for each Eligible Child in 2018	Quarterly Unified Bonus Received for each Eligible Child in 2019	Quarterly Unified Bonus Received for each Eligible Child in 2020	Quarterly Unified Bonus Received for each Eligible Child in 2021 and beyond
5 Star	23%	23%	23%	23%
4 Star	16.5%	16.5%	16.5%	16.5%
3 Star	11%	11%	11%	11%
2 Star	6%	4%	2%	0%
1 Star	0%	0%	0%	0%

17. Can a Type I or Type II Center qualify for the unified bonus payments?

No, only Type III licensed centers who receive child care assistance payments will qualify for the tiered bonus payments.

Additional Guidance for the SRTC’s:

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