LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 233** SLS 25RS 346

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 14, 2025 7:21 AM

Author: EDMONDS

Dept./Agy.: Dept. of Revenue / Dept. of Child & Family Services

Subject: Income Tax Credit: Workforce Child Tax Credit

Analyst: Noah O'Dell

TAX/TAXATION EN DECREASE GF RV See Note

Provides for changes to the School Readiness Tax Credit. (1/1/26)

Current law authorizes a refundable income tax credit for business child care expenses paid by a business, defines eligible business child care expenses with certain specified dollar amount limits, and expresses the total amount of the credit as a percentage of eligible business child care expenses, depending on the quality of the child care facility (rated from 1-5 stars). There is no limit on aggregate credits issued.
Proposed law renames the School Readiness Tax Credit program as the Workforce Child Care program, doubles the amounts of certain eligible business child care expenses and more than doubles the percentage of those expenses that make up the credit for certain star-rated child care facilities. Two star facilities are no longer eligible for the business-supported child care credit. Aggregate credits granted are limited to $1M in 2026, with the possibility of the cap increasing by $1M annually (up to $5M) provided credit utilization exceeds 80%. Beginning Jan. 1, 2027, taxpayers must apply for the credit with the Dept. of Revenue in the first two months of the year. Effective Jan. 1, 2026 and effective tax years beginning on or after 2026.

EXPENDITURES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	**($166,000)**	**DECREASE**	**DECREASE**	**DECREASE**	**($166,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	**($249,000)**	**DECREASE**	**DECREASE**	**DECREASE**	**($249,000)**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**($415,000)**				**($415,000)**

EXPENDITURE EXPLANATION

LDR is anticipated to incur one-time expenditures of $52,750 associated with system modifications, testing, and system development in support of tax return modifications. The department is able to absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

The bill renames the school readiness tax credit as the workforce child tax credit, increases the dollar amount of eligible business child care expenses, increases the size of certain business-supported child care credits (while decreasing the amount for 2-star facilities), and imposes a $1M cap on credits granted in 2026. These changes are anticipated to result in an increase in the credit amount awarded to taxpayers and decrease SGF (or statutory dedication) revenue beginning in FY27 when 2026 returns are filed.

LFO estimates the new credit is likely to reach the $1M cap in FY27. Given that Tax Exemption Budget (TEB) data indicates revenue loss associated with the business-supported child care credit was approximately $585,000 in FY24 with about 60% taken against corporate income tax and 40% against personal income tax. Assuming the same eligible businesses continue claiming the refundable credit, only at at a higher rate, state revenue is expected to decline by at least double or possibly in excess of one million dollars with 60% against corporate accruing to the Revenue Stabilization Fund (unless aggregate corporate income tax collections fall below $600M, in which case the impact would be to the SGF) and 40% against personal income tax, which would accrue to the SGF. The $415K decrease in the revenue table for FY27 reflects the amount of utilization expected above the existing $585,000 credits issued in FY24, but below the $1M cap ($1M - $585K = $415K). These $415,000 credits claimed are expected to be split 40% personal income tax ($415K*40%= $166K) and 60% corporate income tax ($415k*60%=$249K) based on historical claim patterns in the TEB. This revenue loss is expected to continue in subsequent fiscal years, in addition to new credits that may potentially be claimed as the cap on the program increases to $2M and potentially to $3M, $4M, up to $5M. LFO has no reason to speculate the $2M cap may be achieved in FY28. However, should additional businesses provide child care expenses due to the higher credit amounts, SGF revenue may decrease cumulatively up to $1M each year.

Expansion of Eligible Business Child Care Expenses: The expenses limit of construction, maintenance, and equipment increased from $50,000 to $100,000 per tax year. Payments to child care facilities on behalf of employees increased from $5,000 to $10,000 per child per year. Purchases of reserved child care slots increase from $50,000 to $100,000 per year.

Business-Supported Child Care Credit Amounts:
5-star facilities: Increased from 20% to 50%
4-star facilities: Increased from 15% to 40%
3-star facilities: Increased from 10% to 30%
2-star facilities: Decreased from 5% to 0%*

*In 2024, 7.5% of all child care facilities rated by the Dept. of Education were rated as 2-star facilities.

Senate	Dual Referral Rules	House
☐	13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒	13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}	☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Deborah Vivien
Chief Economist