

QUESTIONS AND ANSWERS ABOUT THE SCHOOL READINESS TAX CREDIT FOR PROVIDERS OF EARLY CARE AND EDUCATION SERVICES

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

A. Beginning January 1, 2008 Louisiana will provide a refundable tax credit to child care centers participating in Quality Start, 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 Department of Social Services. The credit is NOT dependent on whether the center owes income taxes, and is available for both for-profit and non-profit centers.

Quality Rating of Child Care Facility	Tax Credit per Eligible Child
Five Star	\$1,500
Four Star	\$1,250
Three Star	\$1,000
Two Star	\$750
One Star or not participating in Quality Start	0

Example: If your center has earned three stars and serves 10 children in the Child Care Assistance Program and 10 foster children, then you could be eligible for up to \$20,000 (20 x \$1,000) in refundable tax credits.

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

A. 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).

Q. What is a refundable tax credit?

A. 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.

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

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

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

A. 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 at <http://www.revenue.louisiana.gov/> 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.

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

A. All licensed 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 Department of Social Services, and c) document that they are participating in Quality Start.

Q. What is Louisiana's Quality Start?

A. Quality Start is a voluntary program for licensed child care centers designed to increase the quality of child care and early learning for all children throughout Louisiana. Both Class A and Class B centers may choose to participate and earn up to five stars based on meeting standards established for Program, Staff Qualifications, Administration Practices, and Family and Community Involvement. [Click here to see the full criteria for Quality Start.](#) [Click here for an application to participate in Quality Start,](#) or call (225) 342-0694.

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

A. The Department of Social Services 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 Department of Social Services 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 Department of Social Services 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.

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

A. 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;

Q: Do I receive the SRTC only once, or each year?

A. The SRTC has no termination or sunset date so you will be able earn these tax credits every year.

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

A. 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 Social Services 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.

Q. Our Center is not currently participating in Louisiana's Quality Start. When do I have to sign up in order to receive the credit? Where do we obtain information about signing up for Quality Start?

A. To be eligible for the School Readiness Tax Credit you must receive your initial rating by December 31 of the year you are first participating. In all subsequent years, your rating as of July 1 will be your rating used to determine your SRTC. [Click here for an application to participate](#) or call (225) 342-0694. Please note that stars are awarded to a center as of the first day of the month following the month in which the star decision is made. Therefore, for a center to have their stars by December 31, the stars must be awarded by November 30th to be effective December 1. Any decision made in the month of December would not be effective until January 1.

Q. Can a Class B Center qualify?

A. Yes, Class B centers can participate in Quality Start. [Click here to see the criteria for each of the five star levels.](#)