

Title 15. Natural Resources and Economic Development

Chapter VIII. Arkansas Economic Development Commission, Department of Commerce

Subchapter B. Economic Development Incentives

Part 144. Rules for Administering the Daycare Facility Act, Acts 1993, No. 820, as Amended by Acts 1995, No. 850

Subpart 1. Generally

15 CAR § 144-101. Introduction.

(a)(1) To qualify, companies must:

(A) Operate or contract the operations of a childcare facility for the primary purpose of providing childcare services to its employees; and

(B) Be certified by the Division of Child Care and Early Childhood Education as having an appropriate early childhood program.

(2) The company shall not qualify for income tax credits if its revenues from the operation of the childcare facility exceed its direct operating costs of the facility.

(3) Two (2) or more companies may participate in a single childcare program.

(b) For additional information contact:

Arkansas Economic Development Commission
1 Commerce Way, Suite 601
Little Rock, Arkansas 72202
(501) 682-1682

Authority. Arkansas Code § 15-4-209.

15 CAR § 144-102. Definitions.

As herein used in this part:

(1) "Appropriate early childhood program" means a developmentally appropriate program for young children approved by the Division of Child Care and Early Childhood Education;

(2) "Childcare facility" means any facility that provides care, training, education, custody, or supervision for any unrelated minor child whether or not the facility:

(A) Is operated for profit; and

(B) Makes a charge for the services offered by it; and

(3) "Direct operating costs" means:

(A) The cost of food and beverages provided to the children;

(B) The cost of labor for personnel whose services are performed exclusively on the premises of the childcare facility for the care of the children and all related employment taxes are paid by the employer; and

(C) All materials and supplies necessary to operate the childcare facility.

Authority. Arkansas Code § 15-4-209.

15 CAR § 144-103. Qualifications.

(a) To qualify for the benefits of this rule, the business or businesses must:

(1) Operate or contract the operations of a childcare facility for the primary purpose of providing childcare services to its employees; and

(2) Be certified by the Division of Child Care and Early Childhood Education as having an appropriate early childhood program.

(b) Businesses that qualify for the refund of the gross receipts tax paid on the purchase of construction and equipping of the childcare facility may also qualify for the income tax credit if the revenue of the business or businesses from the childcare facility do not exceed the direct operating costs of the facility.

Authority. Arkansas Code § 15-4-209.

15 CAR § 144-104. Benefits.

(a) Businesses qualified for benefits from this incentive may choose from two (2) options:

(1)(A) Option one.

(i) Obtain a refund of the gross receipts tax paid on the purchase of construction materials and furnishings used in the initial construction and equipping of the childcare facility; and

(ii)(a) Receive an income tax credit of three and nine-tenths percent (3.9%) of the annual salary of its employees employed exclusively in providing childcare service.

(b) This credit can be received each year as long as the childcare program is certified by the Division of Child Care and Early Childhood Education.

Example: \$50,000 (total annual salaries of childcare workers) x 3.9% = \$1,950 income tax credit.

(B) If two (2) or more businesses participate in a childcare program for their employees, then each business will be allowed an income tax credit of three and nine-tenths percent (3.9%) of the annual salary of only those employees who are on the respective businesses' payroll and are employed exclusively for childcare services.

(C) This option is not available to businesses that have contracted for the operations of the childcare facility; or

(2)(A) Option two.

(B)(i) Obtain a refund of the gross receipts tax paid on the purchase of construction materials and furnishings used in the initial construction and equipping of the childcare facility; and

(ii) Receive a five thousand dollar (\$5,000) income tax credit for the first-year the business provides its employees with a childcare facility.

(C) If two (2) or more businesses participate in a childcare program for their employees, then the first year five thousand dollar (\$5,000) credit will be prorated

among the businesses based upon the percentage of the cost paid by each business for the initial construction and equipping of the childcare facility.

(D)(i) The income tax credit shall first be available in the taxable year following the year the business makes payment of wages to childcare workers.

(ii) To the extent that the credit is not fully utilized in this first year, it may be carried forward for an additional two (2) years.

(b) Benefits are available for one (1) year from the date of initial operation for twelve (12) consecutive months.

Authority. Arkansas Code § 15-4-209.

15 CAR § 144-105. Steps for qualifying for benefits from the Daycare Facility Act.

(a) The business or businesses must submit an application with the Division of Child Care and Early Childhood Education to be certified as having an appropriate early childhood program.

(b)(1) The business or businesses must submit an application with all supporting documentation to the Arkansas Economic Development Commission.

(2)(A) The commission reviews the application and verifies the eligibility of the business or businesses for benefits from this incentive.

(B) When approved, the commission will furnish verification of eligibility to the applicant for use in filing for tax benefits.

(3) The commission will also forward certification and supporting documents of eligible businesses to the Department of Finance and Administration.

(c)(1) The Revenue Division of the Department of Finance and Administration shall authorize a refund of sales and use taxes imposed by the state on the purchases of construction materials and furnishings used in the initial construction and equipping of the childcare facility.

(2) The department shall also authorize tax credit benefits to eligible businesses.

Authority. Arkansas Code § 15-4-209.