School Readiness Tax Credit Act

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The act provides two separate income tax credits beginning with tax year 2017.

Credit for an Eligible Program. Beginning in 2017, a nonrefundable income tax credit is available to persons who own or operate an eligible childcare and education program that serves children who participate in the childcare subsidy program established in Neb. Rev. Stat. § 68-1202. The tax credit to the provider is equal to the average monthly number of children, age 5 or under, who participate in the childcare subsidy program and who attend the provider’s program, multiplied by a dollar amount based on the quality scale rating of the eligible program. Only Steps Three through Five qualify for the credit:

- A) $250 for a Step Three program;
- B) $500 for a Step Four program; and
- C) $750 for a Step Five program.

This tax credit is available to individuals, corporations, and fiduciaries. An application for this tax credit must be filed with the Department of Revenue (Department) within two months after the close of the tax year for which you are claiming the credit. Please allow four weeks to process and respond to your application. The credit may only be claimed after your application has been approved in writing by the Department.

Credit for Staff Member of an Eligible Program. Also beginning in 2017, a refundable income tax credit is available to staff members who are both employed with an eligible program for at least six months during the taxable year and are classified in the Nebraska Early Childhood Professional Record System. For tax year 2018, eligible staff members receive a tax credit equal to:

- A) $510 for a Level One classification;
- B) $765 for a Level Two classification;
- C) $1,275 for a Level Three classification; and
- D) $1,530 for a Level Four classification.

An application for this tax credit may be filed with the Department any time after the applicant has met all the required eligibility criteria, but no later than March 1 of the year following the taxable year for which you plan to claim the credit. For example, if you plan to claim the tax credit on your 2018 return, you must file this application by March 1, 2019. The credit may only be claimed after your application has been approved in writing by the Department.

The total amount of tax credits available for both programs is limited to $5 million per tax year.

Additional information may be found at education.ne.gov/StepUptoQuality and revenue.nebraska.gov as it becomes available.