

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington St., Suite 301
Indianapolis, IN 46204
(317) 233-0696
iga.in.gov

FISCAL IMPACT STATEMENT

LS 6737

BILL NUMBER: SB 147

NOTE PREPARED: Jan 11, 2024

BILL AMENDED:

SUBJECT: Child Care Property Tax Exemption and Evaluation.

FIRST AUTHOR: Sen. Rogers

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Early Childhood Education Property Tax Exemption:* This bill makes various changes to a provision granting a property tax exemption to for-profit providers of early childhood education.

Employer Child Care Property Tax Exemption: The bill also provides a partial property tax exemption for an employer that provides onsite child care for employees.

Child Care Evaluation: The bill requires the office of the Secretary of Family and Social Services (FSSA), in consultation with the Early Learning Advisory Committee, to: (1) evaluate and make recommendations; and (2) submit a report; regarding child care.

Effective Date: July 1, 2024; January 1, 2025.

Explanation of State Expenditures: *Child Care Evaluation:* This provision will minimally increase FSSA workload in FY 2025. The bill requires the FSSA to evaluate child care licensing requirements and available licensure exemptions. FSSA must submit a report to the General Assembly by October 31, 2024, that includes information concerning the evaluation and recommendations to (1) replace current licensing requirements and (2) simplify the Paths to QUALITY requirements. This evaluation is similar to the evaluation already required under HEA 1591-2023.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Summary - Additional property tax exemptions will reduce net assessed value, which will cause higher tax rates and result in a shift in property taxes to other property owners to the extent that they have not reached their tax caps. Local revenues will also be reduced in some places due to higher tax cap credits. The total amount of additional exemptions under the bill and the related tax and revenue impact is currently indeterminable.

Early Childhood Education Property Tax Exemption: This provision will result in an increase in the number of early childhood education providers that may qualify for the property tax exemption and an increase in the amount of the exemption for some providers who currently receive it.

Under current law, a for-profit provider of early childhood education may qualify for the educational property tax exemption only if:

- 1) The primary purpose of the provider is educational;
- 2) The provider is the property owner;
- 3) The provider predominantly occupies and uses the property for providing early childhood education services to four and five year old children; and
- 4) The provider participates in the state early education evaluation program and meets the standards of quality recognized by a Level 3 or Level 4 Paths to QUALITY (PTQ) program rating or has a comparable rating from a nationally recognized accrediting body.

Currently, if a qualified taxpayer provides services to children younger than four years old, then the exemption is prorated based on the number of qualified children as opposed to the total number children at the property.

This bill makes the following changes to the qualification for, and amount of, the exemption.

- 1) The primary purpose of the provider no longer needs to be educational.
- 2) The property may be owned by the provider, or a parent company, subsidiary, or an affiliate company of the provider.
- 3) Providers who meet the standards of Level 2 PTQ will also qualify.
- 4) The property must be predominantly used to provide services to children of any age under six years old.
- 5) The exemption will not be prorated for providers serving children under four years old.

Increased Exemptions: A review of property tax records for taxpayers who received the exemption for taxes payable in CY 2023 shows that 112 properties received partial exemptions. If those properties receive 100% exemptions under this provision, the additional exemptions would total about \$54 M in assessed value (AV), worth \$1.2 M in taxes.

New Exemptions: Additional property owners will qualify for the educational property tax exemption. These include property owners affiliated with providers that otherwise meet the exemption requirements, Level 2 PTQ providers, and providers whose predominate purpose is not educational.

There are currently 21 licensed Level 2 PTQ providers. They will likely qualify for the exemption. The number of property owners and providers who meet the other new requirements and will also qualify for the exemption is indeterminable.

Employer Child Care Property Tax Exemption: Under this provision, the AV attributable to the part of property that an employer uses to provide licensed, on premises, child care for employees is exempt from

property tax. According to FSSA reports, there are currently 64 on-site corporate sponsored child care centers. The AV attributed to these centers and to new qualified centers opened in the future will be exempt.

State Agencies Affected: Family and Social Services Administration; Early Learning Advisory Committee.

Local Agencies Affected: County auditors; Local civil taxing units and school corporations.

Information Sources: LSA property tax database;

Licensed Center Child Care Provider Listing, FSSA,
https://search.in.gov/s/redirect?collection=agencies1&url=https%3A%2F%2Fwww.in.gov%2Ffssa%2Fcarefinder%2Ffiles%2FIndiana_Licensed_Child_Care_Center_Listing.pdf&auth=vNITy0p1tRW7pcLtB2LPBQ&profile=fssa&rank=2&query=daycare, Run date: December 29, 2023;

Monthly / YTD Report, Childcare Licensing Unit, FSSA,
<https://www.in.gov/fssa/carefinder/files/CClicensingMonthlyYTDReport.pdf>,
11/01/2023 - 11/30/2023.

Fiscal Analyst: Bob Sigalow, 317-232-9859.