

School Readiness Tax Credit Act

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This guidance document may change with updated information or added examples. The Department recommends you do not print this document. Instead, sign up for the subscription service at revenue.nebraska.gov to get updates on your topics of interest.

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 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 within two months after the close of the tax year for which you are claiming the credit. Please allow three to four weeks to process and respond to your application. Claim your credit by attaching the tax credit issued by the Department to your Nebraska Income Tax Return.

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. Eligible staff members receive a tax credit equal to:

- A) \$500 for a Level One classification;
- B) \$750 for a Level Two classification;
- C) \$1,250 for a Level Three classification; and
- D) \$1,500 for a Level Four classification.

An application for this tax credit may be filed 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 2017 return, you must file this application by March 1, 2018. To claim your credit, attach the tax credit certification from the Department to your Individual Income Tax Return, Form 1040N.

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

Additional information will be published and posted at education.ne.gov/StepUptoQuality and revenue.nebraska.gov as it becomes available.