

School Readiness Tax Credit Act

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This guidance document may change with updated information or added examples. DOR 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 School Readiness Tax Credit Act provides two separate income tax credits.

Credit for an Eligible Program. A nonrefundable income tax credit is available to individuals, partnerships, limited liability companies (LLCs), S corporations, corporations, or fiduciaries 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, partnerships, LLCs, S corporations, corporations, and fiduciaries. An application for this tax credit must be filed with DOR after the close of the tax year for which you are claiming or distributing the credit. Partnerships, LLCs, S corporations, and fiduciaries who are distributing the tax credit must complete page 2 of the application with the names, Social Security number (SSN) or Nebraska ID number, percentage share of income, and the amount of tax credit for each partner, shareholder, member, or beneficiary. Please allow four weeks to process and respond to your application. The tax credit may only be claimed after your application has been approved in writing by DOR.

Credit for Staff Member or Self-Employed Individual of an Eligible Program. A refundable income tax credit is available to an individual who is employed with, or who is a self-employed individual providing child care and early childhood education for, 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 2021, eligible staff members receive a tax credit equal to:

- A) \$540 for a Level One classification;
- B) \$810 for a Level Two classification;
- C) \$1,350 for a Level Three classification; and
- D) \$1,620 for a Level Four classification.

An application for this tax credit may be filed with DOR any time after the applicant has met all the required eligibility criteria, DOR will process the applications in the order received. The tax credit may only be claimed after your application has been approved in writing by DOR. Please allow four weeks for DOR to process and respond to your application.

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.