

Instructions

Who Must File. The applicant must be a qualified individual, partnership, limited liability company (LLC), S corporation, corporation, or fiduciary that owns or operates a childcare or early childhood education program assigned a quality scale rating pursuant to the Step Up to Quality Child Care Act (Act). A partnership, LLC, S corporation, or fiduciary may distribute the School Readiness Tax credit (credit) in the same manner and proportion as the partner, member, shareholder, or beneficiary reports the pass through entity's income.

When and Where to File. Application submission for each tax year will open as published on the Nebraska Department of Revenue's (DOR) website. DOR will not accept any application before that date. This School Readiness Tax Credit Act – Childcare and Education Provider Application, Form SR-3604 (Form SR-3604), must be approved by DOR prior to claiming or distributing the credit. The providers will submit the Form SR-3604 using DOR's Electronic Document & Application Submission Hub (eDASH). The Form SR-3604 requires the provider to enter their information from the Nebraska Department of Health and Human Services (NDHHS) Tax Credit Report (Report) for children younger than six years of age. The NDHHS Report includes a Provider Number assigned by NDHHS and provides a year end summary of the subsidized child care days and partial days for each month. The entered information must match the information from the NDHHS Report.

What to File. The provider must submit Form SR-3604 and enter the information from the NDHHS Report summary of the number of days of childcare that you received subsidy reimbursement for each month for children younger than six years of age. The NDHHS Report information entered will be verified with NDHHS. Both the application and data from the NDHHS Report must be submitted to be considered a complete application for review and processing.

Claiming the Credit. After your Form SR-3604 has been certified and returned by DOR, you may either distribute or claim the approved credit amount on the applicable line of your Nebraska income tax return. You will need the approved credit amount and the certificate number from your approved Form SR-3604 when claiming the credit on your Nebraska income tax return.

Processing Procedure. DOR will process complete applications in the order received until the program tax credit limitation of \$7.5 million has been reached. Approval of all nonrefundable tax credits for providers and all refundable tax credits for staff members (School Readiness Tax Credit Act Staff Member Application, Form SR-3605) are both subject to the same total annual credit limit. Please allow four weeks for DOR to process and respond to your application.

Specific Instructions

Applicant Information. Enter the applicant's name, mailing address, and SSN or Nebraska ID number. Enter the Nebraska ID Number if you are claiming the credit on a business income tax return or are distributing the credit to partners, members, shareholders, or beneficiaries.

Program Information. Enter the name and address of the qualifying program. Also check the box that corresponds to the most recent Step Up to Quality (SUTQ) rating issued to you by the Nebraska Department of Education.

Average Monthly Number of Subsidized Children Calculation. The credit is based on a calculated average which may not be equal to the actual number of children enrolled in your program:

Column (B) – Number of Paid Child Days. Using the NDHHS Report for the children younger than six years of age that you received subsidy reimbursement from NDHHS, enter the number of paid days for the corresponding month.

Column (C) – Number of Paid Child Partial Days. Using the NDHHS Report for the children younger than six years of age that you received subsidy reimbursement from NDHHS, enter the number of paid partial days for the corresponding month.

Column (D) – Total of Columns (B) and (C) in Days. For each month, eDASH will calculate this column by adding total days entered in columns (B) and total partial days entered in column (C) together. The number of partial days entered in column (C) is multiplied by .5 to convert to days when added to column (B).

Column (E) – Number of Days Providing Service. Enter the number of days you provided service for any children for each month. Exclude the days your facility was closed. Only include weekends and holidays if the facility provided service on those days.

Column (F) – Average Number of Children this Month. For each month, eDASH will calculate the result by dividing the number in column (D) by the number in column (E) and display the result.

Line 1. Total average number of children you received a subsidy for each month. The total of the months in column (F) was divided by 12 and entered as a whole number. A result that is .50 or higher is rounded to the next higher whole number. A result that is .49 or less is rounded to the next lower whole number.

Line 2. Calculated amount of school readiness tax credit. The average number of children from line 1 multiplied by the corresponding dollar amount of your program's SUTQ rating.

Distribution of Credits. A partnership, LLC, S corporation, or fiduciary that owns or operates the eligible program may distribute the certified school readiness tax credit to partners, shareholders, members or beneficiaries by completing the Schedule K-1N. Pass-Through Entities that elect to be subject to tax may take the credit directly, or the tax credit may be partially retained by the entity and partially distributed.

Claiming the Credit. After your Form SR-3604 has been certified and returned by DOR, you may either distribute or claim the approved credit amount on the applicable line of your Nebraska income tax return. You will need the approved credit amount and the certificate number from your approved Form SR-3604 when claiming the credit on your Nebraska income tax return.

The entity distributing the tax credit must indicate the distributed tax credit amount and the certificate number on the Schedule K-1N for the partner, shareholder, member, or beneficiary.

Email. By entering an email address, the taxpayer acknowledges that DOR may contact the taxpayer by secure email. The taxpayer accepts any risk to confidentiality associated with this method of communication. DOR will send all confidential information by secure email. A valid email address is required for all applications submitted electronically. All communication and notices for applications submitted in eDASH will be sent to the email address entered on the application.

Authorization for DOR to Send Notices by Secure Electronic Means. By submitting the application electronically you have authorized DOR to deliver any notice by electronic means in a secure manner to the email address entered, you accept any risk to confidentiality associated with this method of communication. DOR will only send confidential information by secure email.

Annual Limit. DOR will process completed applications in the order received until the annual limit has been reached. The \$7.5 million limitation is the combined total of nonrefundable tax credits approved for the School Readiness tax Credit Act - Application for Childcare and Education Provider **and** the refundable tax credits approved for the School Readiness Tax Credit Act - Staff Member Application.

Appeal. The amount of approved credit, outside of notification that the total annual limit allocated for applications has been reached, is a final action of the Tax Commissioner and may be appealed in accordance with the Administrative Procedure Act. Appeals must be filed with the District Court of Lancaster County within 30 days after the date of the Tax Commissioner's final determination.