

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/07/2019**

Bill/Resolution No.: HB 1235

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>						
<b>Appropriations</b>						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1235 creates a new income tax credit or a deduction that can be claimed by a business that reimburses an employee for amounts the employee pays to provide child care for a minor under the legal guardianship of the employee.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1235 allows an income tax credit to a corporation equal to the amount paid to reimburse an employee for child care costs the employee incurs and pays as a legal guardian of a minor. The child care must be provided by a North Dakota-licensed child care provider. The credit is allowed in the tax year the reimbursement amount is paid. If the credit amount is more than the corporation's tax liability, the corporation may apply the unused portion against its tax liability in subsequent tax years.

Section 2 of HB 1235 allows an income tax deduction for employers that are not corporations, but file as individuals, who reimburse employees for child care costs. The deduction is equal to twice the amount paid by the business to reimburse employees for qualified child care expenditures.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, HB 1235 will potentially reduce state general fund revenues for the 2019-21 biennium. The amount of the reduction cannot be determined because it is not known to what extent that businesses currently reimburse employees for child care expenses, or the amount they may choose to do so if HB 1235 is enacted.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 01/15/2019

**2019 HOUSE FINANCE AND TAXATION**

**HB 1235**

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1235  
1/16/2019  
30887

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker

### Explanation or reason for introduction of bill/resolution:

A bill relating to a corporate income tax credit and an employer deduction for reimbursement of employee child care expenditures; and to provide an effective date.

### Minutes:

Attachment 1

**Chairman Headland:** Opened hearing.

**Representative Mitskog:** Introduced bill. Distributed written testimony from Representative Pamela Anderson, see attachment #1. Ended testimony at 2:44.

**Representative B. Koppelman:** If you're doing a tax credit for corporations why wouldn't you do a tax credit for a LLC or some sort of pass through entity? Wouldn't a tax credit in most cases be more valuable than a double deduction?

**Representative Mitskog:** I don't think I can explain that. Representative Anderson would be able to answer that. This is part of addressing the workforce issue in our state. If people don't have daycare they won't be able to go to work. Some childcare expenses are more expensive than college tuition so it is a burden for many individuals.

**Chairman Headland:** The way the bill is worded it is shifting the burden of childcare to the state, would you agree?

**Representative Mitskog:** The state would have some involvement but it would be the employer being part of the solution.

**Representative Kading:** What does it take to become a childcare provider?

**Representative Mitskog:** In talking with licensed childcare providers the regulations for childcare are more rigorous than ever before. There is compliance with the Department of Human Services for being a licensed provider which includes a lot of rules and regulations including finger printing and background checks. This has created a shortage of childcare providers in our state because of these regulations.

**Chairman Headland:** Further testimony in support?

**Eric Spencer, President and CEO of the North Dakota Great American Chamber:** Workforce issues are real and incentives to help employers address those issues are good. For a bill like this to work there would need to be some parameters set with guardrails because it would be very expensive to the state of North Dakota.

**Representative Steiner:** Wouldn't it be better to get rid of the corporate income tax and let them handle the daycare situation the way they want to do it?

**Eric Spencer:** That could be an option to be examined.

**Chairman Headland:** We understand the need for childcare in our state. Further support?

**Rick Clayburgh, President and CEO of the North Dakota Bankers Association:** Daycare is one of the most significant issues we see. We have a number of workforces across the state creating cooperatives in their smaller communities to try and provide daycare but there is a backlog and a need for daycare. We need to find ways to expand it so we can bring more folks into the workforce that want to be there. We are trying to find solutions to help with daycare issues.

**Chairman Headland:** As a former tax commissioner do you believe it's the right idea to shift the burden of childcare on to the state?

**Rick Clayburgh:** I believe the workforce issue in North Dakota is a public policy issue. The legislature has the tools to find initiatives and incentives in our tax code that assist with this. I understand the challenges to finance it and how to do it but we are standing up for ways to try and expand our workforce and childcare is a major hindrance in that arena right now.

**Chairman Headland:** Further testimony in support?

**Jack McDonald, YMCAs of North Dakota:** YMCAs are one of the biggest providers of childcare in North Dakota. One of the reasons you don't see as many daycare operations is because of the somewhat onerous but severe regulations that are imposed upon the daycare by the Department of Human Services and County Human Services. It is highly regulated. A lot of people can't afford to meet all those regulations. Daycare is extremely expensive. This tax credit would help but it wouldn't cover the expenses. One of the reasons you don't see as many daycares is because the people can't afford to start them. We certainly encourage this.

**Chairman Headland:** The language is fairly clear; they are going to be reimbursed 100% of what their cost is. The corporation will give it back to the family.

**Jack McDonald:** It could be but not everybody uses them as an employee. We're trying to keep the costs reasonable for people to use it but sometimes it doesn't cover the costs of the operation. Larger operations like the YMCA can underwrite the daycare program and spread the loss around to other areas of the YMCA. The amount we charge doesn't cover all the costs of the daycare.

**Chairman Headland:** Further support? Any opposition? Neutral testimony?

**Joe Becker, State Tax Office:** Section 2 of the bill on page 2 the way it is written will be insufficient to reach the sponsors intent. It will only allow the sole proprietorship because they are changing the individual income tax statute. There would need to be some language regarding partnerships, S corporations, and whatever else to deal with other business entities. The bill as is will not cover all the bases for them.

**Representative B. Koppelman:** Is it true that a tax credit where you take all the dollars you spend on this and deduct it from your tax bill would be much more valuable than the double deduction?

**Joe Becker:** Absolutely, a tax credit is more beneficial than a deduction.

**Representative B. Koppelman:** If the committee was going to make this into policy I think it's a bad situation to put Walmart or some large corporation on a higher level of tax credit than our small businesses in the state. If we move this forward I would like to see some parity there.

**Chairman Headland:** I agree.

**Representative Trottier:** Is childcare deductible for the individual?

**Joe Becker:** There are two things that could work for them at the federal level; a child dependent tax credit and if an employer would reimburse some of their costs it could be reimbursed up to \$5,000 not taxable.

**Representative Trottier:** Could I as an individual deduct that from my state and federal income tax?

**Joe Becker:** No.

**Representative Mitskog:** Would the \$5,000 reimbursement to the employee be deductible to the employer?

**Joe Becker:** Yes, anytime an employer is paying childcare expenses that would be a deductible expense on their federal return which would pass through and the state would recognize that as well.

**Chairman Headland:** Are there any other questions? Seeing none we will close the hearing.

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1235  
1/23/2019  
31324

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker

### Explanation or reason for introduction of bill/resolution:

A bill relating to a corporate income tax credit and an employer deduction for reimbursement of employee child care expenditures.

### Minutes:

Attachments 1-2

**Representative B. Koppelman:** In reviewing this I wasn't aware that as an employer if you reimburse an employee's daycare expenses you can get a deduction now. I know this bill seeks a credit but I thought that was useful information. In today's hiring situation anything you can offer to an employee makes some sense and is probably something they would value if employers did that more. I'm a little concerned about the bill talking about a credit. The credit could be a very high amount. I'd like to move a do not pass and encourage people to take advantage of the deduction. I'll withdraw my motion as Representative Mitskog has amendments.

**Representative Mitskog:** Distributed proposed amendments, see attachments #1 and 2. These are the bill sponsor's amendments. The tax department may be able to walk us through the amendments.

**Dee Wald, General Counsel for the State Tax Commissioner:** Explained proposed amendments. This bill changes it from a deduction for individuals to a tax credit for corporations and individuals. I'm assuming it is intended to have a tax credit pass through to the entity's individual owners but it is missing that language.

**Chairman Headland:** Does it replace the corporate income tax? Why is the corporate overstruck?

**Dee Wald:** I think they overstruck corporate because now it will be allowed to individuals and corporations. Individuals if they own an LLC or other pass through. I don't know what the intent was because it could be either an individual employer, sole proprietorship, or a pass through and that's not clear from this.

**Chairman Headland:** Are we unclear if her intent was to allow it to pass throughs as well?

**Representative Mitskog:** I'm unclear.

**Representative B. Koppelman:** Currently this only applies to corporations. If you're a S chapter corporation federally are you a corporation within the state or are you simply considered a pass through at that point?

**Dee Wald:** A S corporation is just a creature of tax law. For the purposes of federal and state tax law the entity is disregarded and it is a pass through so the owners are entitled to the credits and deductions at the federal level. In North Dakota, because sub S corporations do not pay income taxes and are not taxpayers, we need special language that says for this purpose the pass through, the sub S, and the LLC is a taxpayer. Now I believe this is allowed to individual employers, not an individual who has kids at home, who pays childcare expenses and a C corporation.

**Representative B. Koppelman:** With the amendments as they are I don't know if it changes my opinion. I don't like in law when we give special things to C corporations that we don't give to pass throughs because a good chunk of our employers are pass throughs. If the bill was simply saying as a further deduction that is already in law, we are going to allow that for S corporations, LLCs, and other types of entities like that then I might be in favor of the bill. These amendments make it way more expensive. My original motion will be the same based on these amendments.

**Chairman Headland:** It would be way more expensive. We can hold the bill until the amendments are corrected.

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1235  
2/4/2019  
32088

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker

### Explanation or reason for introduction of bill/resolution:

A bill relating to a corporate income tax credit and an employer deduction for reimbursement of employee child care expenditures.

### Minutes:

Attachments 1-2

**Representative Mitskog:** Distributed proposed amendments and a Christmas tree version of the bill, see attachments 1-2. These amendments remove the tax credit so now it's just a deduction.

**Chairman Headland:** Even with this language it remains a tax credit for everybody. It's still going to reimburse the taxpayer for the childcare expenditures so it's a full paid tax credit.

**Representative Mitskog:** Can we have someone from the Tax Department interpret this for us?

**Chairman Headland:** Yes, I think we're going to need to do that. Let's close for now.

# 2019 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1235  
2/4/2019  
32126

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker

### Explanation or reason for introduction of bill/resolution:

A bill relating to a corporate income tax credit and an employer deduction for reimbursement of employee child care expenditures.

### Minutes:

No attachments

**Chairman Headland:** We have a member of the Tax Department here to walk us through the amendment.

**Charles Dendy, Legal Counsel for the Tax Department:** Explained the amendments that were distributed this morning. These amendments are replacing the language that would have created a corporate income tax credit for reimbursement of employee child care expenditures. The expenditures are the amount paid by the legal guardian of a minor during the taxable year for child care services provided by a home, group, or center licensed by the Department of Human Services. Instead of making the reduction of twice the amount paid by a taxpayer it changes it to "reduced by the amount paid by a taxpayer." In the original bill we had a credit and a deduction and now we just have a deduction.

**Chairman Headland:** We would need a whole new fiscal note to give us an idea of the revenue reduction.

**Representative Dockter:** Changing it from a credit to a deduction, can't the corporation already get the deduction as a business expense? Since our state income tax is tied to the federal what would this really do since it's not a credit anymore?

**Charles Dendy:** I don't have any information regarding that.

**Representative B. Koppelman:** For those corporations that run daycare centers in their facilities is that benefit taxable income for that employee or is it tax free similar to health insurance where it is not taxed?

**Charles Dendy:** I don't know the answer to that question.

**Representative Dockter:** In current code if you're a family and have two children you can get a credit for daycare up to \$6,000; \$5,000 for the first child. I don't know how this benefits.

**Representative Blum: MADE A MOTION FOR A DO NOT PASS**

**Chairman Headland:** Well we're talking about the amendment right now. The sponsor is asking a lot of this committee to send out an amendment without any explanation and without lining up any support for it then expecting us to sort it out for them. We've got a motion on the table. Do we have a second?

**Representative Ertelt: SECONDED**

**Representative B. Koppelman:** Without knowing some of the information we would have got on a suggested amendment I'm not totally sure the amendment would have gained a net advantage to the taxpayer. I believe that although the employer can deduct it that would be a taxable event for the individual taxpayer. There are provisions for daycares to be deducted or exempted from tax under flex and other federal rules. I don't know if the amendment would have got us there to it benefiting the individual. If the employer writes a check to the daycare provider or if the employer pays them more then I believe he could deduct it. The ultimate amendment here doesn't provide an advantage to the taxpayer. I will support the do not pass on those grounds.

**ROLL CALL VOTE: 12 YES 2 NO 0 ABSENT**

**MOTION CARRIED**

**Representative Ertelt will carry this bill.**

**2019 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. HB1235**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

- Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar  
 Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Rep. Blum Seconded By Rep. Ertelt

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson		✓
Vice Chairman Grueneich	✓		Representative Mitskog		✓
Representative Blum	✓				
Representative Dockter	✓				
Representative Ertelt	✓				
Representative Fisher	✓				
Representative Hatlestad	✓				
Representative Kading	✓				
Representative Koppelman	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trotter	✓				

Total (Yes) 12 No 2

Absent 0

Floor Assignment Rep. Ertelt

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1235: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **DO NOT PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1235 was placed on the Eleventh order on the calendar.

**2019 TESTIMONY**

**HB 1235**

#1  
HB 1235  
1-16-19  
p. 1

Testimony on HB 1235 House Finance and Taxation

Representative Pamela Anderson, District 41

January 16, 2019

Good Morning Chairman Headland and Committee Members. I introduced a similar bill last session. It was said on the house floor that this was a good bill, but we can't afford it. I believe we cannot afford to not help our young families with childcare. This is a huge issue for employers as well.

What this bill does is give a corporate income tax credit for corporations assisting their employees with licensed child care expenses. What I added this year, is other business structures will receive a double deduction for such expenses.

I believe every business in our state, large and small, rural or urban, has an issue with affordable and accessible child care. We continue to talk about this issue, but nothing seems to get down. Very few of our businesses can make a business case to open their own child care facility.

This bill gives employers a financial incentive to help young families with child care expenses. This is a win-win for everybody.

Thank you for your time and consideration of a Do Pass on HB 1235.



**Testimony of Mason Sisk**  
**Economic Development Association of North Dakota (EDND)**  
**In Support of HB 1235**  
**January 16, 2019**

Chairman and members of the House Finance and Taxation Committee:

My name is Mason Sisk and I am testifying on behalf of the Economic Development Association of North Dakota in support of HB 1235.

EDND represents large and small and rural and urban economic development organizations on the front line of growing businesses and communities in North Dakota. The primary purpose of the organization is to promote the creation of new wealth throughout North Dakota to develop more vibrant communities and improve quality of life.

Workforce availability is the most significant challenge facing North Dakota businesses, limiting the growth potential of the state's economy. EDND supports the development of workforce attraction, development and retention strategies that address the needs of the state's companies.

Childcare availability and cost are major issues facing young families making up North Dakota's potential workforce pool. Childcare expenses can result in fewer workers, detracting from the state's productivity and ability to attract new talent into the state. According to Childcare Aware, the average cost of sending an infant to a daycare center in North Dakota is more than \$9,000 per year, with some centers charging up to \$16,640 per year.

HB 1235 encourages companies to use childcare reimbursement as a creative way to attract and retain talent.

Thank you for the opportunity to address the committee and express support for this bill and for your continued commitment to working together to address North Dakota's workforce needs.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1235

Page 1, line 2, replace "2" with "7"

Page 1, line 2, replace "a corporate" with "an"

Page 1, line 3, remove "and an employer deduction"

Page 1, line 8, replace "**Corporate income**" with "**Income**"

Page 1, line 9, replace "corporation" with "taxpayer that is an employer in this state"

Page 1, line 10, after "57-38-30" insert "or 57-38-30.3"

Page 1, line 11, replace "corporation" with "taxpayer"

Page 2, replace lines 1 through 8 with:

"**SECTION 2.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for reimbursement of employee child care expenditures under section 1 of this Act."

Renumber accordingly

Introduced by

Representatives P. Anderson, Hager, Hanson, Mitskog, Schneider

Senators Davison, Oban

1 A BILL for an Act to create and enact a new section to chapter 57-38 and a new subdivision to  
2 subsection 27 of section 57-38-30.3 of the North Dakota Century Code, relating to a  
3 ~~corporate~~an income tax credit ~~and an employer deduction~~ for reimbursement of employee child  
4 care expenditures; and to provide an effective date.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1.** A new section to chapter 57-38 of the North Dakota Century Code is created  
7 and enacted as follows:

8 **Corporate incomeIncome tax credit for reimbursement of employee child care**  
9 **expenditures.**

- 10 1. A ~~corporation~~taxpayer that is an employer in this state reimbursing an employee for  
11 qualified child care expenditures is allowed a credit against the tax imposed by section  
12 57-38-30 or 57-38-30.3 in an amount equal to the amount reimbursed by the  
13 ~~corporation~~taxpayer to its employees during the taxable year.
- 14 2. For purposes of this section, "qualified child care expenditures" means the amount  
15 paid by the legal guardian of a minor during the taxable year for child care services  
16 provided by a home, group, or center licensed by the department of human services.
- 17 3. The taxpayer shall claim the total credit amount for the taxable year in which the  
18 qualified child care expenditures were reimbursed.
- 19 4. If the amount of the credit determined under this section exceeds the taxpayer's  
20 liability for tax under this chapter, the excess may be carried forward to future taxable  
21 years.
- 22 5. Reimbursed qualified child care expenditures under this section may not be used in  
23 the calculation of any other income tax deduction or credit allowed under state law.

1 6. To receive the tax credit provided under this section, a taxpayer shall claim the credit  
2 in the form and manner prescribed by the tax commissioner.

3 **SECTION 2.** ~~A new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota~~  
4 ~~Century Code is created and enacted as follows:~~

5 ~~Reduced by twice the amount paid by a taxpayer that is an employer in this state~~  
6 ~~to reimburse employees of the taxpayer for qualified child care expenditures. For~~  
7 ~~purposes of this subdivision, "qualified child care expenditures" means the~~  
8 ~~amount paid by the legal guardian of a minor during the taxable year for child~~  
9 ~~care services provided by a home, group, or center licensed by the department of~~  
10 ~~human services.~~

11 **SECTION 2.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota  
12 Century Code is created and enacted as follows:

13 Income tax credit for reimbursement of employee child care expenditures under  
14 section 1 of this Act.

15 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
16 December 31, 2018.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1235

Page 1, line 1, replace "section to chapter 57-38" with "subdivision to subsection 1 of section 57-38-01.3"

Page 1, line 2, remove "a corporate"

Page 1, line 3, remove "income tax credit and"

Page 1, replace lines 6 through 23 with:

**"SECTION 1.** A new subdivision to subsection 1 of section 57-38-01.3 of the North Dakota Century Code is created and enacted as follows:

Reduced by the amount paid by a taxpayer that is an employer in this state to reimburse employees of the taxpayer for qualified child care expenditures. For purposes of this subdivision, "qualified child care expenditures" means the amount paid by the legal guardian of a minor during the taxable year for child care services provided by a home, group, or center licensed by the department of human services.

Page 2, line 3, remove "twice"

Renumber accordingly

Sixty-sixth  
Legislative Assembly  
of North Dakota

**HOUSE BILL NO. 1235**

Introduced by

Representatives P. Anderson, Hager, Hanson, Mitskog, Schneider

Senators Davison, Oban

1 A BILL for an Act to create and enact a new ~~section to chapter 57-38~~ subdivision to subsection 1  
2 of section 57-38-01.3 and a new subdivision to subsection 2 of section 57-38-30.3 of the North  
3 Dakota Century Code, relating to ~~a corporate income tax credit and~~ an employer deduction for  
4 reimbursement of employee child care expenditures; and to provide an effective date.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 ~~SECTION 1. A new section to chapter 57-38 of the North Dakota Century Code is created~~  
7 ~~and enacted as follows:~~

8 ~~**Corporate income tax credit for reimbursement of employee child care expenditures.**~~

9 ~~1. A corporation reimbursing an employee for qualified child care expenditures is allowed~~  
10 ~~a credit against the tax imposed by section 57-38-30 in an amount equal to the~~  
11 ~~amount reimbursed by the corporation to its employees during the taxable year.~~

12 ~~2. For purposes of this section, "qualified child care expenditures" means the amount~~  
13 ~~paid by the legal guardian of a minor during the taxable year for child care services~~  
14 ~~provided by a home, group, or center licensed by the department of human services.~~

15 ~~3. The taxpayer shall claim the total credit amount for the taxable year in which the~~  
16 ~~qualified child care expenditures were reimbursed.~~

17 ~~4. If the amount of the credit determined under this section exceeds the taxpayer's~~  
18 ~~liability for tax under this chapter, the excess may be carried forward to future taxable~~  
19 ~~years.~~

20 ~~5. Reimbursed qualified child care expenditures under this section may not be used in~~  
21 ~~the calculation of any other income tax deduction or credit allowed under state law.~~

22 ~~6. To receive the tax credit provided under this section, a taxpayer shall claim the credit~~  
23 ~~in the form and manner prescribed by the tax commissioner.~~

1       **SECTION 1.** A new subdivision to subsection 1 of section 57-38-01.3 of the North Dakota  
2 Century Code is created and enacted as follows:

3               Reduced by the amount paid by a taxpayer that is an employer in this state to  
4 reimburse employees of the taxpayer for qualified child care expenditures. For  
5 purposes of this subdivision, "qualified child care expenditures" means the  
6 amount paid by the legal guardian of a minor during the taxable year for child  
7 care services provided by a home, group, or center licensed by the department of  
8 human services.

9       **SECTION 2.** A new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota  
10 Century Code is created and enacted as follows:

11               Reduced by ~~twice~~ the amount paid by a taxpayer that is an employer in this state  
12 to reimburse employees of the taxpayer for qualified child care expenditures. For  
13 purposes of this subdivision, "qualified child care expenditures" means the  
14 amount paid by the legal guardian of a minor during the taxable year for child  
15 care services provided by a home, group, or center licensed by the department of  
16 human services.

17       **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
18 December 31, 2018.