

## Understanding Louisiana's Early Care and Education Tax Credits

In 2007, Louisiana enacted the **School Readiness Tax Credits**, a first-of-its-kind Early Care and Education policy that has served as a model for the country. These credits were designed to build on the state's existing **Child Care Credits**, to create an accessible avenue to quality early care and education for low-income parents.

### What are the School Readiness Tax Credits?

The refundable tax credits included as part of the SRTC are:

Family credit	Tax credit for parents who choose an early care and education program with at least a two-star rating (out of 5 stars). Credit amount increases with number of stars and decreases with amount of parents' income.
Provider credit	Tax credit to early care and education providers who have at least a two-star quality rating. Tax credit amount varies with number of low-income children served and number of stars earned by a program.
Teacher and director credit	Tax credit to early care and education teachers and directors who attain higher training and who work at centers participating in the state's Quality Rating and Improvement System for early care and education.
Business credit	Tax credit to businesses supporting early care and education or donating to local agencies that provide training and technical assistance to early care and education programs and parents of young children.

### What is the Child Care Credit?

The Child Care Credit includes a refundable tax credit for parents making less than \$25,000/year who choose to place their children in childcare so that they can work.

### Why do these tax credits matter?

- The refundable portion of these tax credits has been used as the state funds necessary to draw down an over \$80 million federal block grant. The state risks losing federal funds in the absence of the tax credits.
- These tax credits are essential incentives used to drive policies that improve the quality of early care and education programs. Without these credits, many of the state's early education policies would be at risk. For example, a central tenet of the state's policies is to increase the quality of early care and education teachers and programs. Since the inception of these tax credits, more than 3400 teachers have achieved the credit level that requires the Child Development Associate's credential, a 280% increase. In addition, the proportion of individuals in the higher levels - earning up to Master's degrees - has increased from 23% in 2008 to 39% in 2015. Similarly, the proportion of centers in Quality Start earning at least three stars has increased from 3% in 2009 to over 35% in 2015. These tax credits are working as they were intended as a critical and effective tool to improve the quality of early education in Louisiana.
- Quality early childhood education is essential to the healthy development of children, particularly low-income children. It improves parents' workforce stability, and a strong early education business sector contributes to Louisiana's economy.
- The School Readiness Family Credit is tied to the state's Child Care Credit, which is in turn based on the federal Child and Dependent Care Credit. These credits are closely linked, and the removal of one can jeopardize the others.