

HB390 INTRODUCED



1 HB390
2 11YTALL-1
3 By Representative Daniels
4 RFD: Ways and Means Education
5 First Read: 05-Feb-26



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4 SYNOPSIS:

5 Current law provides for an employer tax credit
6 for certain expenses incurred by an employer to support
7 the provision of child care for children of employees.

8 This bill would allow expenses for adult day
9 care services to be included in this tax credit
10 program.

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13 A BILL

14 TO BE ENTITLED

15 AN ACT

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17 Relating to income taxes; to extend the current
18 employer tax credit to include adult day care services.

19 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

20 Section 1. Sections 40-18-541 and 40-18-542, Code of
21 Alabama 1975, are amended as follows:

22 "§40-18-541

23 For the purposes of this article, the following terms
24 have the following meanings:

25 (1) ADULT DAY CARE FACILITY. A facility that provides a
26 program of care for a portion of a 24-hour day in a protective
27 setting for eligible adults 18 years of age and older.

28 (2) ADULT DAY CARE PROVIDER. An Alabama taxpayer that



29 owns an adult day care facility or a nonprofit entity that
30 owns and operates an adult daycare facility in this state.

31 (1)(3) APPLICABLE TAXES. An employer's, taxpayer's,
32 adult day care provider's or child care provider's, or in the
33 case of a pass-through entity that is an employer, taxpayer,
34 adult day care provider, or child care provider, such
35 employer's, taxpayer's, adult day care provider's or child
36 care provider's owners' taxes as follows:

37 a. Taxes levied in Chapter 18 of Title 40.
38 b. The state portion of taxes levied in Chapter 16 of
39 Title 40.

40 c. Taxes levied in Section 27-4A-3(a).
41 d. Taxes levied in Article 2 of Chapter 21 of Title 40,
42 not to include the freight line and equipment tax levied in
43 Section 40-21-52.

44 (2)(4) CHILD or CHILDREN. Individuals who are five
45 years of age or less.

46 (3)(5) CHILD CARE FACILITY. A facility meeting the
47 definition found in Section 38-7-2(7), which is licensed by
48 the Department of Human Resources and is participating in the
49 quality rating and improvement system.

50 (4)(6) CHILD CARE PROVIDER. An Alabama taxpayer that
51 owns a child care facility or a nonprofit entity that owns and
52 operates a child care facility in this state.

53 (7) ELIGIBLE ADULT. Any individual that meets all of
54 the following conditions:

55 a. A dependent of an employee.
56 b. Is eighteen years of age or older.



57 c. Due to age, disability, cognitive impairment,
58 chronic health condition, or the need for supervision,
59 requires support or services that can be appropriately
60 provided in an adult day care setting.

61 ~~(5)~~(8) ELIGIBLE CHILD or ELIGIBLE CHILDREN. Children
62 who participate in the Child Care Subsidy Program administered
63 by the Department of Human Resources and who attend a child
64 care facility operated by a child care provider.

65 ~~(6)~~(9) ELIGIBLE EXPENSES. a. Expenses incurred by an
66 employer for:

67 1. The construction, renovation, expansion, or repair
68 of a child care facility, or for the purchase of equipment for
69 such facility, or for the maintenance and operation thereof.

70 2. Payments made to child care facilities or employees
71 for the provision of child care at child care facilities for
72 children of employees.

73 3. Payments made to child care facilities to reserve
74 services for children of employees.

75 4. Payments made to adult day care providers or
76 employees for the provision of adult day care at adult day
77 care facilities for dependent adults of employees.

78 5. Payments made to adult day care facilities to
79 reserve services for dependent adults of employees.

80 b. For purposes of this definition, "child care
81 facility" or "child care facilities" shall also include a
82 facility meeting the definition found in Section 38-7-2(7),
83 which is operated, directly or indirectly, by a public
84 institution of higher education as defined in Section 16-5-1.



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85 ~~(7)~~ (10) EMPLOYEE. A resident of this state who works on
86 a full-time or part-time basis for an employer. An employee
87 shall include independent contractors engaged by an employer
88 and the owners of an employer that also work for such employer
89 on a full-time or part-time basis. Employees whose wages,
90 excluding any overtime or bonuses, exceed eighty thousand
91 dollars (\$80,000) in a calendar year are not employees for the
92 purposes of this article.

93 ~~(8)~~ (11) EMPLOYER. A for-profit business lawfully
94 operating in this state.

95 ~~(9)~~ (12) EMPLOYER TAX CREDIT. A tax credit to be applied
96 against applicable taxes for the year in which the eligible
97 expenses are incurred by an employer, equal to the total
98 eligible expenses incurred by the employer, up to six hundred
99 thousand dollars (\$600,000) per year for each employer.

100 ~~(10)~~ (13) FACILITY TAX CREDIT. A tax credit to be
101 applied against applicable taxes, calculated in accordance
102 with Section 40-18-543(a), but not exceeding twenty-five
103 thousand dollars (\$25,000) per year for each child care
104 facility.

105 ~~(11)~~ (14) GRANT. A grant awarded by the Department of
106 Human Resources to nonprofit child care providers for the
107 purpose of funding expenses related to the construction,
108 expansion, improvement, repair, or operation of a child care
109 facility or child care facilities, so long as such expenses
110 are made in furtherance of the child care services offered at
111 such child care facility and result in increased quality of
112 care or increased capacity for children at each applicable

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113 child care facility.

114 ~~(12)~~ (15) OWNER. A shareholder, partner, or member of a
115 pass-through entity.

116 ~~(13)~~ (16) PASS-THROUGH ENTITY. An Alabama S corporation
117 or a subchapter K entity.

118 ~~(14)~~ (17) QUALITY RATING. The rating applicable to a
119 child care facility under the quality rating and improvement
120 system.

121 ~~(15)~~ (18) QUALITY RATING AND IMPROVEMENT SYSTEM. A
122 system of the Department of Human Resources known as the
123 Alabama Quality STARS program that measures the quality of
124 child care facilities on a scale of one to five stars, with
125 five stars denoting the highest level of quality.

126 ~~(16)~~ (19) RURAL AREA. Any Alabama county that meets the
127 definition of "targeted county" found in Section
128 40-18-376.1(a)(2).

129 ~~(17)~~ (20) SMALL BUSINESS. An employer that has fewer
130 than 25 employees.

131 ~~(18)~~ (21) STATE. The State of Alabama.

132 "§40-18-542

133 (a) Effective for tax years beginning on or after
134 January 1, 2025, and ending December 31, 2027, unless extended
135 by an act of the Legislature, an employer may apply to the
136 Department of Revenue for an employer tax credit to be applied
137 against applicable taxes. The employer tax credit shall be in
138 an amount equal to 75 percent of the eligible expenses
139 incurred by an employer; except, in the case of a small
140 business, the employer tax credit shall be in an amount equal



141 to 100 percent of the eligible expenses incurred by an
142 employer.

143 (b) For the calendar year ending December 31, 2025, the
144 employer tax credit is limited to an aggregate amount for all
145 employers of fifteen million dollars (\$15,000,000), which
146 amount shall increase to seventeen million five hundred
147 thousand dollars (\$17,500,000) for the calendar year ending
148 December 31, 2026; and twenty million dollars (\$20,000,000)
149 for the calendar year ending December 31, 2027.

150 (c) The Department of Revenue shall:

151 (1) Provide a standardized format for, and require
152 completion of, a certificate to be signed by the employer
153 applying for the employer tax credit certifying that the
154 expenses incurred by the employer were eligible expenses
155 incurred to support the provision of child care at child care
156 facilities for the children of employees, or to support the
157 provision of adult day care at adult day care facilities for
158 the dependent adults of employees.

159 (2) Require the employer to provide documentation to
160 substantiate to the satisfaction of the Department of Revenue
161 the amount of the employer tax credit applied for pursuant to
162 this section and that the expenses incurred by the employer
163 were eligible expenses incurred to support the provision of
164 child care at child care facilities for the children of
165 employees, or to support the provision of adult day care at
166 adult day care facilities for the dependent adults of
167 employees.

168 (3) If the employer is a pass-through entity, require

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169 that the employer identify the identity and pro rata
170 percentage ownership of its owners.

171 (d) The Department of Revenue shall award the tax
172 credit to the employer after the employer provides the
173 documentation required in subsection (c). Failure to provide
174 the documentation required in subsection (c) shall result in
175 the automatic denial of the employer tax credit."

176 Section 2. This act shall become effective on January
177 1, 2027.