



HB 4096: Tax Credits for Child Care Facilities

Testimony for House Committee on Business and Labor – Jody Wiser – 2.5.2020

Less than a year ago this body made the commitment to put an extra \$200 million into early childhood services. The work has begun, staff is still being hired and problems are still being identified. That means there is still much to be learned about problems and best solutions. This bill seems premature and misguided. Thank you for allowing me to speak to several of the bill's sections.

SECTION 2: We know there are child care and preschool deserts in every county in the state. We don't know yet that it is because landlords are reluctant to rent to centers. Yet in SECTION 2, a tax credit for landlords is proposed.

There are two elements of this section we like: it must be an arms-length transaction and the income tax credit for building owners would have a two-year limit per building. It's too bad many other tax credits aren't so prudent in focusing on changing behavior and then backing off.

But what is the problem this tax credit is solving and why is this the solution? **Is finding willing landlords a universal problem?** Most communities have lots of empty buildings given recent changes to on-line sales. One would think most owners of vacant properties would be happy to sign a lease without receiving two years of rent without any State tax on the income. Further the bill doesn't differentiate between landlords who already welcome child care facilities and those that don't. The owner of my community's business district currently rents much of his property to child-oriented businesses. Why should he get a tax break for a center focused on a large employer like Intel, the Standard or Genentech when he hasn't received subsidies for competing businesses? Further, we wonder how you will evaluate the success of this tax credit.

SECTIONS 7 & 8 Provide tax credits for privately owned businesses ignoring the fact that many pre-schools and child care centers are operated by non-profits. Grant programs would more fairly benefit all providers and would fit within the design of the Student Success Act.

SECTION 7: Gives a tax credit of \$1500/year to the owner of a child care facility who provides or requires ongoing training equal to 18 hours a year for all staff members. If the employee is provided the training during paid hours and at the owner's expense, a tax credit or a grant to the employer makes sense. However, if the employer makes this a requirement of employment, the benefit should flow to the employee. It is also unclear how the State would evaluate the success of this tax credit when it comes up for renewal.

SECTION 8: Gives a tax credit of \$50/child to each child care center that gets and maintains a **three star or higher rating under the tiered quality rating and improvement system of the Early Learning Council.** Advertising the rating should be its own self-reinforcing mechanism. Again, a tax credit is a benefit only to privately-owned facilities. Additionally, it is not stated how the State would evaluate the success of this tax credit.

Tax Fairness Oregon is always hesitant when we see a tax credit rather than a direct funding mechanism. This bill is no exception. **We think it would be best if you rely on the Child Care Task Force to bring forward issues and solutions rather than act on this bill.**

We read the bills and follow the money