

House Bill 1474

By: Representatives Park of the 107<sup>th</sup>, Hugley of the 141<sup>st</sup>, Miller of the 62<sup>nd</sup>, Gisler of the 121<sup>st</sup>, Campbell of the 35<sup>th</sup>, and others

A BILL TO BE ENTITLED

AN ACT

1 To amend Article 1 of Chapter 1A of Title 20 of the Official Code of Georgia Annotated,  
2 relating to general provisions relative to early care and learning, so as to provide for the  
3 annual publication of a map identifying geographic areas where the demand for organizations  
4 that provide care for children between the ages of zero and five exceeds available licensed  
5 slots by a ratio of at least three to one; to amend Article 2 of Chapter 7 of Title 48 of the  
6 Official Code of Georgia Annotated, relating to imposition, rate, computation, exemptions,  
7 and credits relative to state income taxes, so as to provide for an income tax credit for  
8 contributions to childcare organizations; to provide for an annual limit on such credits; to  
9 provide for preapproval procedures and timelines; to provide for required expenditure of  
10 funds received by childcare organizations; to provide for rules and regulations; to provide  
11 for reporting; to provide for an annual audit; to provide for related matters; to provide for  
12 legislative findings; to provide for definitions; to provide for an effective date and  
13 applicability; to repeal conflicting laws; and for other purposes.

14 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

15 **SECTION 1.**

16 The Act shall be known and may be cited as the "Supporting Early Education and  
17 Development (SEED) Act."

18 **SECTION 2.**

19 The General Assembly finds that:

20 (1) Access to high quality early childhood education is the primary "workforce behind the  
21 workforce," enabling parents to participate in Georgia's economy while ensuring this state's  
22 future prosperity;

23 (2) Ninety percent of a child's brain development occurs before the age of five, with the  
24 most rapid growth occurring from birth to age three, during which the brain forms 1 million  
25 neural connections per second;

26 (3) Third-grade reading proficiency is a definitive predictor of future success, yet nearly  
27 two-thirds of Georgia's third graders are not reading at a proficient level, due in no small  
28 part to impediments to brain development occurring before such third graders reach the age  
29 of five;

30 (4) Every \$1.00 invested in high quality birth to five programs yields up to a \$9.00 return  
31 to this state through increased lifetime earnings and reduced expenditures on remedial  
32 education and public safety; and

33 (5) Childcare related workforce disruptions currently cost the Georgia economy an  
34 estimated \$2.52 billion annually in lost productivity and \$131.7 million in lost state tax  
35 revenue.

36 **SECTION 3.**

37 Article 1 of Chapter 1A of Title 20 of the Official Code of Georgia Annotated, relating to  
38 general provisions relative to early care and learning, is amended in Code Section 20-1A-4,  
39 relating to department powers and duties, by striking "and" at the end of paragraph (13), by

40 replacing the period at the end of paragraph (14) with "; and", and by adding a new paragraph  
41 to read as follows:

42 "(15) To publish on the home page of the department's website a map to be updated no  
43 later than November 1 of each calendar year identifying geographic areas where the  
44 demand for organizations that provide care for children between the ages of zero and five  
45 exceeds available licensed slots by a ratio of at least three to one."

46 **SECTION 4.**

47 Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to  
48 imposition, rate, computation, exemptions, and credits relative to state income taxes, is  
49 amended by adding a new Code section to read as follows:

50 "48-7-40.19.

51 (a) As used in this Code section, the term:

52 (1) 'Childcare desert' means geographic areas where the demand for organizations that  
53 provide care for children between the ages of zero and five exceeds available licensed  
54 slots by a ratio of at least three to one, as identified on a map published on the  
55 Department of Early Care and Learning's website.

56 (2) 'Childcare organization' means an organization that provides care for children  
57 between the ages of zero and five that is tax exempt under Section 501(c)(3) of the  
58 Internal Revenue Code and Quality Rated by the Department of Early Care and Learning.

59 (3) 'Qualified childcare organization expense' or 'qualified contribution' means the  
60 contribution of funds by an individual or corporate taxpayer to a childcare organization  
61 for the direct benefit of such organization during the tax year for which a credit is claimed  
62 under this Code section.

63 (b) An individual taxpayer shall be allowed a credit against the tax imposed by this chapter  
64 for qualified childcare organization expenses as follows:

65 (1) In the case of a single individual or a head of household, the actual amount expended;

66 (2) In the case of a married couple filing a joint return, the actual amount expended; or  
67 (3) In the case of an individual who is a member of a limited liability company duly  
68 formed under state law, a shareholder of a Subchapter 'S' corporation, or a partner in a  
69 partnership, the actual amount expended; provided, however, that tax credits pursuant to  
70 this paragraph shall be allowed only for the portion of the income on which such tax was  
71 actually paid by such individual.

72 (c) An individual taxpayer shall be limited in his or her qualified childcare organization  
73 expenses allowable for credit under this Code section, and the commissioner shall not  
74 approve qualified childcare organization expenses which exceed the following limits:

75 (1) In the case of a single individual or a head of household, \$5,000.00;

76 (2) In the case of a married couple filing a joint return, \$10,000.00; or

77 (3) In the case of an individual who is a member of a limited liability company duly  
78 formed under state law, a shareholder of a Subchapter 'S' corporation, or a partner in a  
79 partnership, \$25,000.00.

80 (d) A corporation or other entity shall be allowed a credit against the tax imposed by this  
81 chapter for qualified childcare organization expenses in an amount not to exceed the actual  
82 amount expended or 75 percent of the corporation's income tax liability, whichever is less.

83 (e) In no event shall the total amount of the tax credit under this Code section for a taxable  
84 year exceed the taxpayer's income tax liability. Any unused tax credit shall be allowed the  
85 taxpayer against the succeeding ten years' tax liability. No such credit shall be allowed the  
86 taxpayer against any prior years' tax liability.

87 (f)(1) In no event shall the aggregate amount of tax credits allowed under this Code  
88 section exceed \$100 million per taxable year.

89 (2) From January 1 to June 30 each taxable year, the commissioner shall only preapprove  
90 credits for qualified contributions to childcare organizations that are located in childcare  
91 deserts or dedicated to expanding childcare capacity for children between the ages of zero  
92 and three. From July 1 to December 31 each taxable year, subject to the aggregate limit

93 in paragraph (1) of this subsection, the commissioner shall approve credits for qualified  
94 contributions to other childcare organizations.

95 (3) For purposes of paragraphs (1) and (2) of this subsection, a childcare organization  
96 shall notify a taxpayer considering making a qualified contribution of the requirements  
97 of this Code section. Before making a qualified contribution to a childcare organization,  
98 the taxpayer shall electronically notify the department, in a manner specified by the  
99 department, of the total amount of the qualified contribution to such childcare  
100 organization. The commissioner shall preapprove or deny the requested amount or a  
101 portion of such amount within 30 days after receiving the request and shall provide  
102 written notice to the taxpayer and childcare organization of such preapproval or denial  
103 which shall not require any signed release or notarized approval by the taxpayer. In order  
104 to receive a tax credit under this Code section, a taxpayer preapproved by the  
105 commissioner on or before September 30 shall make the qualified contribution to the  
106 childcare organization within 180 days after receiving notice of preapproval from the  
107 commissioner, but not later than October 31. A taxpayer preapproved by the  
108 commissioner after September 30 shall make the qualified contribution to the childcare  
109 organization on or before December 31. If the taxpayer does not comply with this  
110 paragraph, the commissioner shall not include such preapproved contribution amount  
111 when calculating the limit prescribed in paragraph (1) of this subsection.

112 (4)(A) The commissioner shall preapprove qualified contributions solely based on the  
113 availability of tax credits subject to the aggregate total limit established under  
114 paragraph (1) of this subsection.

115 (B) Upon a childcare organization's confirmation of receipt of qualified contributions  
116 that have been preapproved by the commissioner, a taxpayer preapproved by the  
117 commissioner pursuant to subsection (c) of this Code section who made such qualified  
118 contribution shall receive the full benefit of the income tax credit established by this  
119 Code section even if the childcare organization to which such taxpayer made a qualified

120 contribution does not properly comply with the reports or filings required by this Code  
121 section.

122 (5) Notwithstanding any laws to the contrary, the department shall not take any adverse  
123 action against taxpayers who contribute to childcare organizations if the commissioner  
124 preapproved a qualified contribution for a tax credit prior to the date a childcare  
125 organization falls out of compliance with any of the requirements provided under this  
126 Code section, and all such qualified contributions shall remain as preapproved tax credits  
127 subject only to the contributors' compliance with paragraph (3) of this subsection.

128 (g) In order for a taxpayer to claim the tax credit under this Code section, a letter of  
129 confirmation of donation issued by the childcare organization to which the qualified  
130 contribution was made shall be attached to such taxpayer's tax return. However, in the  
131 event such taxpayer files an electronic return, such confirmation shall only be required to  
132 be electronically attached to the return if the Internal Revenue Service allows such  
133 attachments when the return is transmitted to the department. In the event the taxpayer  
134 files an electronic return and such confirmation is not attached because the Internal  
135 Revenue Service does not, at the time of such electronic filing, allow electronic  
136 attachments to the Georgia return, such confirmation shall be maintained by the taxpayer  
137 and made available upon request by the commissioner. The letter of confirmation of  
138 qualified contribution shall contain the taxpayer's name, address, tax identification number,  
139 the amount of qualified contribution, the date of such contribution, and the amount of the  
140 credit.

141 (h) No credit shall be allowed under this Code section with respect to any amount  
142 deducted from taxable net income by the taxpayer as a charitable contribution to a bona  
143 fide charitable organization qualified under Section 501(c)(3) of the Internal Revenue  
144 Code.

145 (i) At least 60 percent of the qualified contributions received by childcare organizations  
146 for which a taxpayer received a tax credit under the provisions of this Code section must

147 be used by such childcare organizations for teacher salary supplements and retention  
148 bonuses. Remaining qualified contribution funds may be used for capital expansions of  
149 classrooms for children between the ages of zero and five. Any childcare organization that  
150 fails to use qualified contribution funds as specified under this subsection shall be issued  
151 a notice of noncompliance from the department that provides such childcare organization  
152 90 days to cure such noncompliance with retroactive teacher salary supplements or  
153 retention bonuses. Any childcare organization that fails to cure such noncompliance within  
154 the 90-day period shall not be eligible to receive qualified contributions for which  
155 taxpayers may receive income tax credits pursuant to the provisions of this Code section  
156 in any subsequent taxable year.

157 (j) The commissioner shall be authorized to promulgate any rules and regulations  
158 necessary to implement and administer the provisions of this Code section.

159 (k) The department shall post the following information in a prominent location on its  
160 website:

161 (1) All pertinent timelines relating to the tax credit, including, but not limited to the:

162 (A) Beginning date when qualified contributions can be submitted for preapproval by  
163 donors for the January 1 to June 30 period;

164 (B) Ending date when qualified contributions can be submitted for preapproval by  
165 donors for the January 1 to June 30 period;

166 (C) Beginning date when qualified contributions can be submitted for preapproval by  
167 donors for the July 1 to December 31 period;

168 (D) Ending date when qualified contributions can be submitted for preapproval by  
169 donors for the July 1 to December 31 period; and

170 (E) Date by which preapproved qualified contributions are required to be sent to the  
171 childcare organization;

172 (2) A monthly progress report including:

173 (A) Total preapproved qualified contributions to date by childcare organization;

- 174 (B) Total qualified contributions received to date by childcare organization;  
175 (C) Total aggregate amount of preapproved qualified contributions made to date; and  
176 (D) Aggregate amount of tax credits available.  
177 (l) The Department of Audits and Accounts shall annually conduct an audit of the tax  
178 credit program established under this Code section, including the amount and recipient  
179 childcare organization of all qualified contributions made and all tax credits received by  
180 individual and corporate donors."

181 **SECTION 5.**

182 This Act shall become effective on July 1, 2026, and shall be applicable to taxable years  
183 beginning on or after January 1, 2027.

184 **SECTION 6.**

185 All laws and parts of laws in conflict with this Act are repealed.