CB52-2026 Fiscal Analysis
Introduced: September 8, 2026
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Legislative Intent: This legislation repeals the existing property tax credit for day care providers improvements and replaces it with a $5,000 tax credit for small day care centers and a $10,000 tax credit for large childcare centers.

ANALYSIS

Fiscal Impact:

This legislation will increase the County's forgone revenue from day care center tax credits by up to approximately $2.65 million each fiscal year by repealing the existing credit and replacing it with real property tax credits of up to $5,000 for day care centers and up to $10,000 for large day care centers. The tax credit will become available in the tax year that begins July 1, 2027, and will impact the County's FY2028 revenue.

The current credit for day care providers would be repealed in its entirety and replaced by two new real property tax credits for day care centers:

- *Credit For Certain Day Care Providers*: This tax credit is available for child care centers, day care centers for adults, day care centers for the elderly, family child care homes, and large family child care homes. Eligible providers will qualify for a tax credit of up to $5,000 for real property, including improvements, that is used for the day care center.

- *Additional Day Care Credits - Certain Large Child Care Centers*: This additional day care credit is exclusively for child care centers that have at last 25 employees. Similar to the existing credit for day care providers, this credit is only for the amount of an improvement or addition to the center, up to $10,000.

According to the Department of Finance (DoF) there are, there are 411 day care centers in Howard County of which 407 would be eligible for the credit. If every day care center applied for and received the maximum credit, the forgone revenue for the County would total $2.65 million beginning in FY2028 and continuing each fiscal year after. Of that $2.65 million, $1.42 million would be for the day care provider credit and $1.23 million would be for the large child care providers.

<table>
<tr><th>Day Care Center</th><th>Number</th><th>Day Care Providers
$5,000</th><th>Large Child Care Centers
$10,000</th></tr>
<tr><td>Adult Day Care Center</td><td>4</td><td>$20,000.00</td><td></td></tr>
<tr><td>Adult Medical Day Care</td><td>3</td><td>$15,000.00</td><td></td></tr>
<tr><td>Assembly</td><td>1</td><td></td><td>$10,000.00</td></tr>
<tr><td>Child Day Care - Commercial Property</td><td>121</td><td></td><td>$1,210,000.00</td></tr>
<tr><td>Child Day Care - Licensed Residence</td><td>219</td><td>$1,095,000.00</td><td></td></tr>
<tr><td>Child Day Care - Unlicensed Residence</td><td>58</td><td>$290,000.00</td><td></td></tr>
<tr><td>Educational</td><td>3</td><td></td><td></td></tr>
<tr><td>Elementary School</td><td>1</td><td></td><td></td></tr>
<tr><td>Preschool</td><td>1</td><td></td><td>$10,000.00</td></tr>
<tr><td rowspan="2">Total</td><td rowspan="2">411</td><td>$1,420,000.00</td><td><b>$ 1,230,000.00</td></tr>
<tr><td colspan="2">$2,650,000.00</td></tr>
</table>

It is unlikely that every child care center will apply and receive the full credit, so the real fiscal impact will likely be less than $2.65 million. The tax credit will become available on July 1, 2027. At the conclusion of FY2028, the DoF will submit the *Annual Report of Howard County Tax Credits and Deferrals* to the County Council, which will show the first year's total number of recipients and the total forgone revenue.

Both credits will be administered by the DoF. Day care centers must apply for the credit, and subsequently must annually recertify their eligibility with the DoF.

Current credit for day care providers

Under the current code, there is a State authorized property tax credit of up to $3,000 for day care providers only against any improvements made at the day care center. The improvements must be modifications or additions of real property at the center. **Because of the narrow scope of the tax credit, there has only been six credits issued in the last five fiscal years. The total forgone County revenue from this credit over the last five fiscal years was $12,752.**

<u>Budget Implications:</u>

- The credits will be available beginning on July 1, 2027. There will be no impact to the County's approved FY2027 operating budget. FY2028 will be the first year in which the forgone revenue impacts the County budget.
- The forgone revenue from the current credit for day care providers has a negligible impact on the County's operating budget. In FY2026, the forgone revenue was $3,000.

Approval of this legislation will likely represent a substantial increase in forgone revenue.

Other Notes:

- State law authorizing a $10,000 tax credit for large child care centers was approved in 2025. The State's fiscal analysis did not project potential local impacts, only confirming that "local government property tax revenues may decrease… to the extent that local jurisdictions grant the property tax credit."