Arkansas

Credit Name: Child Care Credit

Type of Provision: Nonrefundable Tax Credit

Calculation: 20 percent of the federal Child and Dependent Care Tax Credit (CDCTC) received

Maximum Value:
• One Child/Dependent: $210
• Two or More Children/Dependents: $420

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $5,364 in child care expenses could receive a maximum credit of $162, depending on her tax liability.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $10,308 in child care expenses, could receive a maximum credit of $240, depending on their tax liability.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:

• Making the credit refundable so that low-income families with little or no state income tax liability can take full advantage of the credit.

• Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.

• Increasing the percentage of the federal credit used to calculate the state credit to increase the maximum value of the credit and provide more help to families.

1 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.

2 Because this credit is based on the nonrefundable federal credit received, the family's federal tax liability impacts the amount of the federal credit the family is eligible to receive, as described above. In addition, because this state credit is nonrefundable, the state credit amount cannot exceed the family's state tax liability. For example, if the mother in the first illustration had sufficient federal tax liability to be eligible for the full federal credit but has a state tax liability of $50, then she could only receive a state credit of $50.
Credit Name: Early Childhood Program Tax Credit

Type of Provision: Refundable Tax Credit

Calculation: 20 percent of the federal CDCTC received for care for a child under age six in an “approved child care facility”

Maximum Value:
• One Child/Dependent: $210
• Two or More Children/Dependents: $420

Income Cutoff: none

Family Illustrations:

A woman who has an income of $30,000, is raising an infant on her own, and pays $5,364 in child care expenses could receive a maximum credit of $162.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $10,308 in child care expenses, could receive a maximum credit of $240.

*Access the methodology for these calculations here.

While there are numerous options to improve this provision, impactful changes would include:
• Allowing families to claim the state credit regardless of whether the family had enough federal tax liability to receive the full amount of the federal credit (or to receive the credit at all). This will give more low-income families access to this tax credit, and potentially increase the credit amount.
• Increasing the percentage of the federal credit used to calculate the state credit, to provide more help to families.

Note: Families cannot claim both the Child Care Credit and the Early Childhood Program Tax Credit.

3 This means that the state credit is based on the nonrefundable federal credit after it has been reduced by federal tax liability. Because low- and moderate-income families have lower tax liability, they may not receive the full value of their federal credit (or any credit at all). As a result, the value of their state credit may be limited.
4 An “approved child care facility” is defined as one that provides an “appropriate early childhood program,” which is itself defined as a “developmentally appropriate program for young children...approved by the Department of Education as complying with the regulatory guidelines” of the Department of Human Services and the Department of Education. Ark. Code Ann. § 26-51-502(c)(1)(C); Ark. Code Ann. § 6-45-103(1).