

General Instructions

Part I: Day Care Facilities Credit

(15-30-2365 and 15-31-133, MCA)

If you are an employer, the day-care facilities credit is available for investments made after December 31, 2000 and before January 1, 2006 related to acquiring, constructing, reconstructing, renovating, or improving property for the primary use of providing a day-care facility for your employees.

You are allowed to claim one-tenth of the total amount of your credit as determined in the first year you were eligible for the credit along with any day-care facility tax credit carryforward amount. The remaining nine-tenths of the available credit are applied in increments of one-tenth over the next nine succeeding tax years. If this credit exceeds your tax liability, the excess amount may be carried forward to succeeding years, not to exceed nine tax years.

To qualify for the credit or any carryforward amount of the credit, all of the following conditions must apply:

- The property must be in actual use in Montana as a day-care facility on the last day of the tax year.
- Day-care services assisted by the employer must take place on the property on the last day of the tax year.
- The person operating the day-care facility must hold a current license or registration certificate under Title 52, chapter 2, part 7, MCA on the last day of the tax year.
- The day-care facility shall accommodate six or more children.
- The day-care facility must be placed in operation before January 1, 2006.

If this credit is claimed by a small business corporation, or a partnership, the credit must be attributed to the shareholders or partners using the same proportion used to report the corporation's or partnership's income or loss for Montana income tax purposes.

Part II: Dependent Care Assistance Credit

(15-30-2373 and 15-31-131, MCA)

If you are an employer, you can take a credit against your tax liability for providing dependent care assistance.

In order to qualify for this credit, the dependent care assistance you provide is required to be furnished by a registered or licensed day-care provider, and it must be furnished pursuant to a program that meets the requirements of 26 IRC 129(d) (2) through (6).

You are not entitled to this credit if:

- the services were not performed in Montana, or
- the amount of dependent care assistance is paid pursuant to a salary reduction plan, or
- the amount upon which the credit is based is included in the gross income of the employee or employees.

If you are filing an individual income tax return, the deduction that is allowed for dependent care assistance on your federal Schedule C, E or F must be reduced by the amount of dependent care assistance used to determine your credit.

If you are filing a partnership, S corporation or C corporation tax return, the deduction that is allowed for dependent care assistance (that reduces your federal taxable income) must be reduced by the amount of dependent care assistance used to determine your credit.

Part III: Dependent Care Information and Referral Service Credit

(15-30-2373 and 15-31-131, MCA)

In addition to the Dependent Care Assistance Credit, as an employer you can also take a credit against your tax liability for providing information and referral services to assist your Montana employees in obtaining dependent care. The amount of your credit is equal to 25% (multiply by 0.25) of the amount that you paid or incurred during the year for providing dependent care information and referral services to your Montana employees.

If the credit exceeds my tax liability, can I carry any excess credit to another tax year?

Yes. You can carry forward the unused portion of these two dependent care assistance tax credits up to five years.

What information do I have to include with my return when I claim this credit?

Individuals and C corporations filing paper returns must attach a completed Form DCAC. S corporations and partnerships filing paper information returns must, in addition to attaching the completed Form DCAC, include a separate statement identifying each owner and their proportionate share.

Questions? Please call us toll free at (866) 859-2254 (in Helena, 444-6900).