

Support Business, Support Working Families Local Option Property Tax Relief for Child Care Programs

What changes to child care did Texas voters just approve? In 2023 the Texas Legislature sent a constitutional amendment to voters to allow cities and counties to provide property tax relief to child care providers. In November 2023, the people of Texas overwhelmingly voted YES on Proposition 2 - allowing cities and counties to cut property taxes from for child care providers who serve working parents.

Why is property tax relief important for child care providers? After staffing costs, facilities are the second most expensive part of running a child care center. Property tax relief for child care centers will help centers stay afloat without passing costs on to the working parents they serve.

Will child care providers immediately get a tax cut? What do counties and cities have to do now? This is a “local option tax” – meaning local governments will have to approve the tax cut under the new law In order for child care providers to get property tax relief.

What are the eligibility criteria? To be eligible for a property tax cut, child care providers must participate in the Texas Workforce Commission’s child care scholarship program for working parents. Providers must maintain enrollment of at least 20% of scholarship kids to be eligible.

Are child care providers that are single location, small businesses eligible for tax relief? Yes. Child care providers in Texas come in all sizes. Some providers are large corporations operating child care centers in multiple places around Texas. Other child care providers are small “mom and pop” businesses owned by Texans. All types of providers are eligible for tax relief.

How many child care providers will get a tax cut? How much of a cut will they get? The number of child care providers who get property tax relief will depend upon the number of cities and counties who approve the tax cut. Approximately 20% (2,718) of all child care providers in Texas are eligible for tax relief under the new law – but only if their city or county votes to allow for tax relief. Total annual savings for child care providers will vary based on local property values and decisions made by local elected officials.

Will the new law impact funding for public education? No. This amendment has no impact on or connection to funding for public education. According to Texas state law, local voters can only cut city and county taxes for child care providers NOT school taxes.

Will property tax cuts mean lower child care costs for working parents? Child care costs are high due to many factors. Using the savings provided by tax relief, child care owners and directors can reduce costs for working parents and better compensate staff to reduce turnover and improve

program quality.

What if a child care provider is leasing or renting their facility?

The Constitutional Amendment would ensure that landlords pass tax savings on to child care providers that rent their facilities. The law requires that the property owners who lease property to child care providers must include with their application for a tax exemption an affidavit to the chief appraiser of the local appraisal district indicating that the property owner has provided to the child care facility a disclosure showing the amount by which the property taxes are reduced and that the rent charged for is reduced by an equal amount. For those properties that are taxed as a single entity, but which are subdivided for tenants or other businesses, the law provides that only the square footage used for a child care center and its activities may be used to calculate the tax exemption by the local appraisal district.

Does this Constitutional Amendment apply to family child care homes? No. Child care centers operated within homes will receive property tax relief via other mechanisms passed by voters in November 2023.