



**State of Arkansas  
Department of Finance and Administration  
Fiscal Impact Statement**

**Bill: HB1021**

**Bill Subtitle: TO CREATE THE EARLY CHILDHOOD EDUCATION WORKFORCE QUALITY INCENTIVE ACT; AND TO CREATE AN INCOME TAX CREDIT FOR CERTAIN EARLY CHILDHOOD EDUCATION WORKERS.**

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**Sponsors:**

**Rep. Collins**

**Basic Change:**

HB1021 creates the "Early Childhood Education Workforce Quality Incentive Act" to provide a refundable income tax credit for certain early childhood education workers.

To qualify for the income tax credit, the early childhood education worker must:

- Be employed in an early childhood education program that meets the requirements of the Better Beginnings quality rating system;
- Be employed as an early childhood education program director, teacher, or instructional staff;
- Earn less than the state's minimum salary for K-12 public school teachers, as provided in § 6-17-2403; and
- File with his or her individual tax return an attestation form provided by the Arkansas Professional Development Registry of the Department of Education, verifying that the taxpayer meets the requirements for the income tax credit.

The amount of the income tax credit is based on the taxpayer's education as follows:

- \$1,800 if the taxpayer has a Child Development Associate certification from a program approved by the Department of Education;
- \$1,800 if the taxpayer has an Arkansas Children's Program Administrator Credential recognized by the National Association for the Education of Young Children;
- \$2,400 if the taxpayer has an associate degree in early childhood education or a related field; and
- \$3,000 if the taxpayer has a bachelor's degree or higher in early childhood education or a related field.

HB1021 is effective for tax years beginning on or after January 1, 2025.

**Fiscal Impact:**

**FY2026 - \$10,431,000 General Revenue Reduction**

[ The Department of Education: Office of Early Childhood Education reported 1,431 Child Development Associates certifications, 963 associate degrees, 1,780 bachelor's degrees, 530 master's degrees, and 10 Doctorates in Early Childhood Education. The revenue impact assumes that all qualified taxpayers are eligible for the \$1,800 and \$2,400 credit, that 80% of qualified taxpayers are eligible for the \$3,000 credit, and that qualified taxpayers make less than the \$50,000 minimum salary for kindergarten through grade twelve public school teachers. ]



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**Taxpayer Impact:**

A taxpayer employed in a position as director, teacher, or instructional staff at an early childhood education program meeting the requirements of the Better Beginnings quality rating system and holding certain credentials will be eligible to receive a refundable income tax credit ranging from \$1,800 to \$3,000.

**Resources Required:**

Computer programs, tax forms, and instructions will need to be updated. The cost estimate of the Arkansas Integrated Revenue System (AIRS) to program a new income tax credit is \$24,000. Annual maintenance will cost an additional \$4,000. Three additional auditor positions would be needed to verify credits and audit returns for possible fraud at a total additional cost of \$240,000 per year.

**Time Required:**

Adequate time is provided for implementation.

**Procedural Changes:**

Department employees and the tax community will need to be educated.

**Other Comments:**

None.

**Legal Analysis:**

HB1021 may benefit from an amendment to clarify that the Better Beginnings rating system is administered by the Department of Human Services rather than the Department of Education.

HB1021 may also benefit from an amendment to provide guidance on whether the tax credit would need to be prorated if the taxpayer was employed in a qualifying position for less than a full calendar year or whether a taxpayer holding multiple credentials during a calendar year would only qualify for one credit.