

WORKFORCE DEVELOPMENT DIVISION
Workforce Programs
Technical Assistance Bulletin 304

Keyword: Child Care

Subject: Property Tax Exemptions for Certain Child Care Facilities

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This Technical Assistance (TA) Bulletin provides Local Workforce Development Boards (Boards) with information on Senate Bill (SB) 1145, 88th Texas Legislature, Regular Session (2023) related to property tax exemptions for child care facilities.

Background

SB 1145 added §11.36 to the Texas Tax Code, effective January 1, 2024. The new law allows, but does not require, counties and cities to exempt certain child care facilities from local property taxes.

Questions and Answers

Eligibility

Which child care facilities are eligible for the exemption?

The property must:

- be a licensed child care facility;
- be a Texas Workforce Commission (TWC) Texas Rising Star program participant; and
- have at least 20 percent of their children enrolled in TWC's Child Care Services (CCS) program.

Are Texas Rising Star providers designated as Entry Level eligible for the exemption?

Yes. The law includes all licensed facilities participating in the Texas Rising Star program, including programs participating at the Entry Level Designation.

Are home-based child care facilities eligible for the exemption?

Although licensed child care facilities, including licensed homes, are eligible for the tax exemption, registered child care homes are not.

Additionally, the law prohibits home-based providers from claiming both the residence homestead exemption under §11.13 of the Texas Tax Code and the child care exemption through §11.36 of the Texas Tax Code.

Scope of the Tax Exemption

When does the tax exemption go into effect?

Local taxing entities can offer the tax exemption in the 2024 tax year.

How much of the property taxes are exempt?

Cities and counties may exempt anywhere from 50 to 100 percent of the appraised value of the property.

What portions of the property are exempt from property taxes?

If the property is also used for purposes unrelated to child care, the exemption applies only to the portion of the property that is used for the child care facility.

Are properties leased to a child care facility eligible?

Yes. The law allows the exemption for part of the property that the person owns and leases to a child care facility.

Are property owners required to pass the tax exemption to child care providers renting or leasing the property?

Yes. The law requires the property owner to ensure that the rent charged reflects the tax reduction. The property owner may pass the tax exemption through a monthly or an annual rent credit.

Requirements for the Tax Exemption

How can providers or property owners indicate that they are participating in the Texas Rising Star program?

The documentation requirements will be determined by the local taxing entity. It is recommended that property owners contact their local tax office about the tax exemption requirements.

Because participation in Texas Rising Star is required for TWC's CCS program, an active CCS agreement with the Board shows participation in the Texas Rising Star program. Providers in Texas Rising Star suspension status are eligible as long as they meet the Entry Level Designation.

However, CCS providers that do not meet Entry Level Designation by the September 30, 2024, deadline are not eligible for the tax credit.

How can providers or property owners demonstrate that they meet the 20 percent CCS enrollment requirement?

Both CCS enrollment and the provider's total enrollment may vary from month to month. The local taxing entity may determine the method for calculating the 20 percent enrollment criteria. Therefore, it is recommended that property owners contact their local tax offices about the tax exemption requirements.

Personal identification information must be removed from CCS enrollment authorizations if used for verification. The local taxing entity may use standards to demonstrate the total non-CCS enrollment to calculate the CCS percentage of the total enrollment.

When must the provider meet the criteria to get the tax relief for the tax year?

The law does not specify when the provider must meet the criteria to get the tax relief for the tax year. Applicants for the tax relief should follow the directions provided by their local taxing entity and any rules adopted by the comptroller.

TWC and Board Resources Available

What resources do TWC or the Boards have to help cities and counties identify providers who may be eligible for the tax relief?

The [Texas Child Care Availability Portal](#) indicates whether a child care provider participates in the Texas Rising Star program and accepts financial aid through the CCS program.

TWC and the Boards have information on CCS enrollment and may provide this information to the local taxing entity upon request. Neither TWC nor the Boards collect information on a provider's total enrollment and cannot provide the additional data needed to calculate the 20 percent enrollment.

What help can Boards provide to local tax entities?

TWC encourages Boards to work with cities and counties that have granted or may be planning to grant property tax relief to child care providers. Boards may help them identify child care providers that may be eligible for the tax relief. Boards may also help them develop methods for calculating the 20 percent CCS enrollment based on the eligibility criteria established by the city or county.

Please distribute this information to appropriate staff. Send inquiries regarding this TA Bulletin to childcare.programassistance@twc.texas.gov.

References

[Senate Bill 1145, 88th Texas Legislature, Regular Session \(2023\)](#)
[Texas Tax Code §11.36](#)