Economic Impact Statement

Montgomery County, Maryland

Bill 21-25: Taxation – Day Care and Child Care Property Tax Credit

Summary

The Office of Legislative Oversight (OLO) anticipates that Bill 21-25 would have a positive impact on economic conditions in the County, as measured by the Council's priority economic indicators. The Bill would primarily affect child and day care businesses in the County by raising the maximum tax credit from $3,000 to $10,000—an increase of more than 200%. Eligible businesses making qualifying property improvements could receive up to $7,000 more in credits than under the current limit. This additional credit would, all else being equal, lower the net cost of their capital investments and constitute a favorable adjustment in local tax policy from the perspective of these businesses. Moreover, higher credits may also encourage certain child and day care businesses already planning property improvements to pursue larger-scale capital investments, potentially raising property values for affected businesses and revenues for businesses in the remodeling and specialty trade contractor sectors performing the capital improvements. However, given historical participation in the Day Care Provider Tax Credit program, it remains uncertain whether these policy changes would affect a substantial share of day care providers in the County.

Background and Purpose of Bill 21-25

The County's Day Care Provider Tax Credit is a property tax credit available for child and day care businesses. If a business makes a property improvement that is exclusively for child or day care services, they can receive a property tax credit of up to $3,000 through this program. Businesses eligible for the credit include registered family child care homes, licensed child care centers, and licensed day care centers for adults and seniors.[1]

In 2025, the Maryland General Assembly passed a law that allows counties to make certain changes to the Day Care Provider Tax Credit. The purpose of Bill 21-25 is to update the County's tax credit program to adopt the new permissions from state law. If enacted, Bill 21-25 would:

- Increase the maximum amount of credit from $3,000 to $10,000;
- Expand eligibility for the credit to large family child care homes that provide care for up to 12 children; and
- Change the name of the property tax credit to the Day Care and Child Care Property Tax Credit.[2]

The Council introduced Bill 21-25 on June 17, 2025.

Information Sources, Methodologies, and Assumptions

As required by 2-81B of the Montgomery County Code, this Economic Impact Statement evaluates the impacts of Bill 21-25 on residents and private organizations, using the Council's priority economic indicators as the

---

[1] Day Care Provider Tax Credit, Montgomery County 311.
[2] Introduction Staff Report for Bill 21-25, Montgomery County Council, Introduced June 17, 2025.

measure. In doing so, it examines whether the Bill would have a net positive or negative impact on overall economic conditions in the County.[3]

The economic impact of the Bill would largely depend on participation in the Day Care Provider Tax Credit program. This analysis evaluates program participation using data from the Department of Finance's FY24 *Tax Expenditure Report*. For background on the child care industry, it also draws on two key sources: the Comptroller of Maryland's *State of the Economy Series: Child Care and the Economy* (2024) and Lucy Tang's *Day Care in the US* (IBISWorld, 2025).

Variables

The primary variables that would affect the economic impacts of enacting Bill 21-25 are the following:

- Total enrollment
- Total credit amount

Impacts

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 21-25 would positively impact certain private organizations in the County.

The Bill would primarily affect child and day care businesses in the County. By raising the maximum tax credit from $3,000 to $10,000, the policy change would allow eligible businesses that make qualifying property improvements to receive up to $7,000 more in credits than under the current limit. This additional credit would, all else being equal, lower the net cost of their capital investments and constitute a favorable adjustment in local tax policy from the perspective of these businesses. Many child care centers operate on narrow profit margins, due to high labor costs, state-mandated staffing ratios, and limited ability to raise prices.[4] As a result, this tax relief could offer meaningful budgetary flexibility to offset business costs.

Higher credits may also encourage certain child and day care businesses already planning property improvements to pursue larger-scale capital investments. For businesses able to finance larger upfront amounts, raising the cap may expand the set of capital projects that yield the same or lower net cost as smaller projects under the old cap. To illustrate, if credits scale proportionally with qualified costs, a business that undertakes a $10,000 capital improvement and receives a $3,000 credit would incur a net total cost of $7,000. Under the proposed maximum credit limit, the same business could undertake a $17,000 improvement, receive the full $10,000 credit, and still incur a total net cost of $7,000. By encouraging larger investments in property upgrades, this may lead to a modest appreciation in property values for affected businesses.

Additionally, if larger capital investments occur, the Bill would indirectly affect businesses in the remodeling and specialty trade contractor sectors, as projects with larger scopes may increase their business revenues and

[3] Montgomery County Code, "Sec. 2-81B, Economic Impact Statements."
[4] Comptroller of Maryland, *State of the Economy Series: Child Care and the Economy (2024)*; Lucy Tang, *Day Care in the US* (IBISWorld, 2025).

incomes. However, this indirect impact would likely be modest, given that the Bill would raise the maximum credit limit by no more than $7,000.

In addition to raising the maximum tax credit by $7,000, the Bill would also expand eligibility for the credit to large family child care homes that provide care for up to 12 children. While these policy changes would benefit some child and day care businesses, it remains uncertain whether they would affect a substantial portion of day care providers in the County.

On the one hand, there has historically been very low participation in the Day Care Provider Tax Credit. The total number of child care programs in the County is estimated at 1,280.[5] (OLO does not have data on the total number of adult care programs.) As shown in **Table 1**, from 2015 to 2023, the number of day care facilities has ranged from four to six. Assuming all recipients are child care programs, this represented only 0.3% to 0.5% of all programs.

On the other hand, it is possible that the expansion in the maximum credit limit (more than 200%) and program eligibility could significantly increase enrollment in the program—provided that lack of awareness and other barriers do not constrain uptake.

Beyond these potential impacts, OLO does not anticipate the Bill would impact businesses in terms of the other economic indicators prioritized by the Council.

Residents

OLO anticipates Bill 21-25 would have an insignificant economic effect on residents in the County. Because program uptake is uncertain, OLO does not expect the policy to have a broad enough impact to significantly expand day care capacity or exert substantial downward pressure on day care costs.

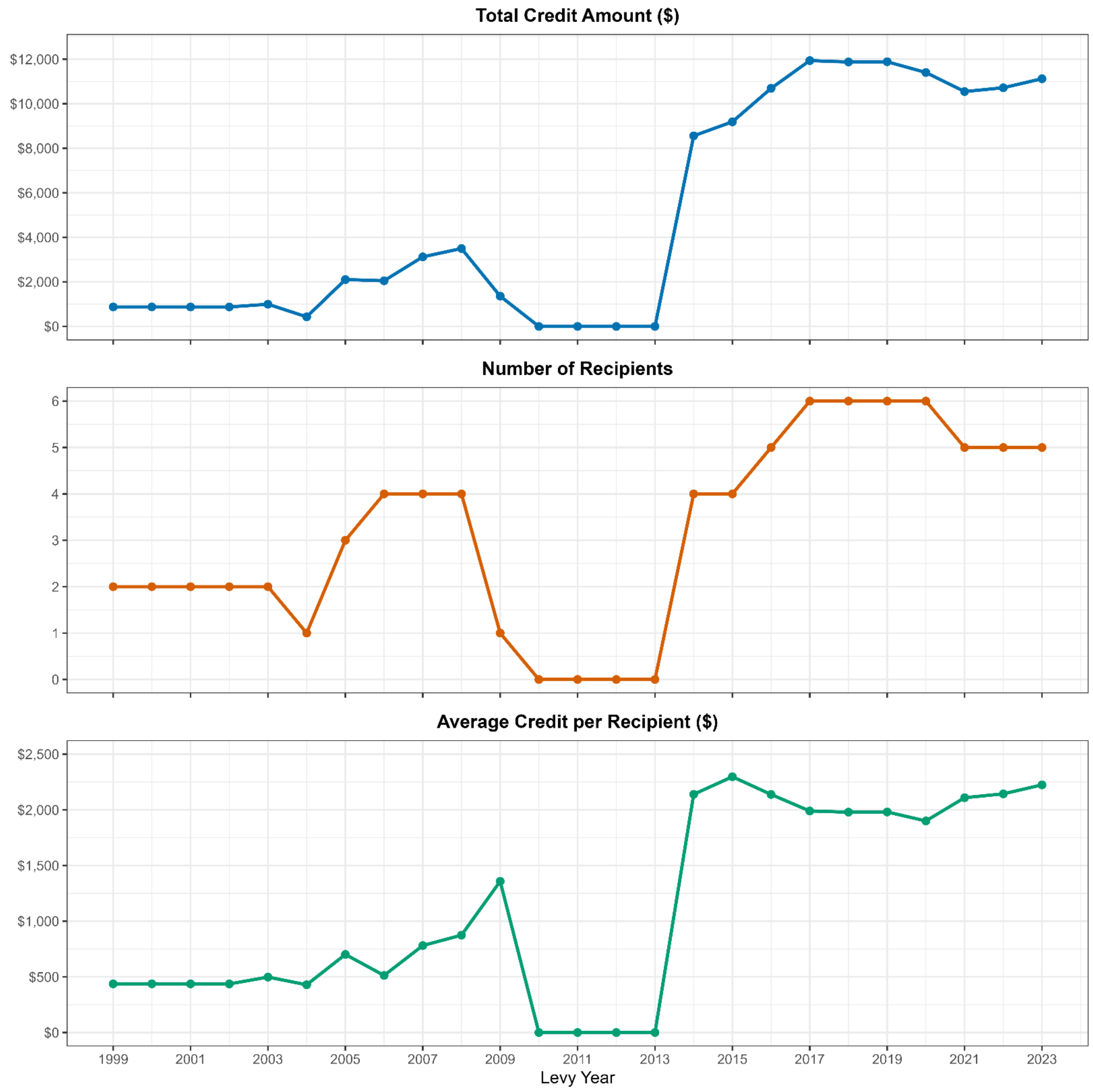
Net Impact

OLO anticipates Bill 21-25 would have a positive impact on economic conditions in the County. As explained in this analysis, raising the maximum tax credit from $3,000 to $10,000 would allow eligible businesses that make qualifying property improvements to receive up to $7,000 more in credits than under the current limit. This additional credit would, all else being equal, lower the net cost of their capital investments and constitute a favorable adjustment in local tax policy from the perspective of these businesses. Higher credits may also encourage certain child and day care businesses already planning property improvements to pursue larger-scale capital investments. If this occurs, the Bill may increase property values for affected businesses and revenues for businesses in the remodeling and specialty trade contractor sectors. Finally, while these policy changes would benefit some child and day care businesses, it is uncertain they would affect a substantial portion of day care providers in the County.

---

[5] Jacob L. Rosch and Ira Goldstein, *The State of Supply and Demand for Childcare in Montgomery County, Maryland* (Reinvestment Fund, 2024).

Table 1. Uptake Trends for the Montgomery County Day Care Provider Tax Credit (1999–2023)



Discussion Items

Councilmembers may want to investigate why the Day Care Provider Tax Credit program has historically had limited uptake.

Caveats

Two caveats to the economic impact analysis conducted here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

Contributions

Stephen Roblin (OLO) prepared this report.