

**A Guide to the
Child Care Centre Development
Tax Credit Program**

Subsection 7.20 of The Income Tax Act

Submit completed applications to:

By mail to:
Early Learning and Child Care Program
Department of Families
210 - 114 Garry Street, Winnipeg, MB R3C 4V4

By email to: CCGF@gov.mb.ca

If you have questions or need further information, please call:
T 204-945-0776 Toll Free: 1-888-213-4754

Overview

As part of its 2018 budget, the Manitoba government announced the introduction of the Child Care Centre Development Tax Credit Program. This program provides a tax credit for private corporations who invest in the creation of new early learning and child care (ELCC) spaces to support their employees and the surrounding community.

Eligible corporations that develop a child care centre through construction or renovations, with a minimum of 74 spaces for infant and/or preschool children in Winnipeg, or 52 spaces in rural Manitoba, will receive a tax credit certificate from the ELCC Program worth \$10,000 for each newly created space. The credit eligibility is not tied to an actual expenditure amount, but rather the creation of a provincially licensed child care centre.

The tax credit is claimed over a five-year period and can begin to be claimed in the tax year after which the centre opens, providing the established criteria has been met and maintained. The Canada Revenue Agency will process the tax credit when a corporation files their annual corporate income tax return.

This guide explains how the Child Care Centre Development Tax Credit Program is administered. It will help eligible corporations make an application to the program.

The guide does not replace, nor is it a substitute for, the legislation under which the program is administered, including subsection 7.20 of The Income Tax Act and relevant sections of other legislation. As such, applicants may want to review sections of [The Income Tax Act](#), [The Community Child Care Standards Act](#) and [Manitoba Regulation 62/86](#) which will provide additional information about the eligibility for the tax credit and details about the requirements for licensed child care centres. As each corporation's situation is unique, applicants may want to consider seeking professional legal, accounting and tax advice before making an application under this program.

Child Care Centre Development Tax Credit Program Eligibility

Subsection 7.20 of The Income Tax Act establishes eligibility for child care centre development projects, and the criteria that must be satisfied in order to claim the tax credit.

1. Preliminary Eligibility: Timeframe- Prior to Construction

To be eligible for the Child Care Centre Development Tax Credit, a corporation must first submit an Application for a Letter of Eligibility to the ELCC Program (Appendix A).

At the application phase, the corporation must:

- be incorporated;
- have a permanent business address in Manitoba;
- be a taxable corporation that pays Canadian income taxes;
- be primarily engaged in a business other than the provision of providing child care spaces and services;
- create a worksite child care centre with, at a minimum, the following number of infant and/or preschool spaces:
 - 74 spaces within Winnipeg
 - 52 spaces in a rural area; and
- obtain a construction permit dated March 13, 2018 or later and;
- have not yet started or completed construction of the child care centre project

2. Letter of Eligibility

When a completed Application for Letter of Eligibility is received by the ELCC Program, it will be reviewed to determine if the application meets the eligibility criteria to be issued a Letter of Eligibility.

The ELCC Program will provide a Letter of Eligibility to the corporation, which includes contact information for ELCC Program staff. The corporation may contact the staff for the next steps required to get the construction process underway.

3. Child Care Centre Planning and Design

Whether the centre will be new construction or a renovation to an existing space, it is essential for the corporation to work with an architect. Proper planning is required to ensure the centre can receive zoning approval, an occupancy permit, and meet all requirements for licensing under The Community Child Care Standards Act, Manitoba Regulation 62/86, The Public Health Act and the Manitoba Fire Code.

ELCC Program staff will provide the *Child Care Centre Design Guidelines*, which outlines the physical design requirements and recommendations for a centre. Staff will review the architectural drawings developed by the corporation's architect and provide recommendations to help ensure the centre design meets licensing requirements.

A *Design Summary for Permit Application* is required for all proposed centres. The design summary is reviewed and approved by ELCC Program as well as Public Health, Fire and municipal authorities to make sure the proposed location meets child care licensing regulations, as well as specific municipal or provincial health, fire, zoning and occupancy requirements.

Construction costs to develop the child care centre include the complete development of the centre to be in compliance with provincial licensing requirements, and the cost is solely borne by the applicant and not by a child care operator.

Construction of the child care centre must be completed within two years from date on which the Letter of Eligibility was issued. Failure to complete construction within two-years will require the applicant to reapply.

Choose Type of Child Care Operation

Centres may operate as a non-profit corporation, non-profit parent cooperative, for-profit corporation or for-profit sole proprietorship. All licensing regulations apply, regardless of the type of child care operation chosen.

Subsidy payments for daily parent fees, on behalf of eligible families, are available to all licensed facilities. However, centres must be incorporated as non-profit organizations or non-profit parent cooperatives and meet the regulatory requirements for governance, board composition and financial accountability, in order to be eligible for grant funding (Appendix B).

If a corporation chooses to be the operator of the centre, or partners with a for-profit child care business to operate the centre, the centre will not be eligible for grant funding.

If the corporation chooses to partner with a non-profit corporation or parent cooperative to operate the centre, the corporation should begin the process of establishing a partnership:

- The corporation may want to find an existing non-profit child care centre to assist with the physical design process and to assume the day-to-day operations of the centre. The corporation could support the centre by offering free or low-cost rent, utilities, janitorial services or other incentives for the centre to operate a second site in their building. ELCC Program staff can provide a list of licensed, non-profit centres within a geographic area to assist the corporation in finding a non-profit centre through a Request for Proposals process. (See Appendix C for a sample Request for Proposal).
- Another option is for the corporation's employees and community members to establish a new, non-profit organization. The new organization is encouraged to establish steering and fundraising committees and recruit individuals in the community with knowledge and skills in a variety of areas, such as early childhood education, finance and human resources. In this case, the interested group should research and begin the process of incorporating as a non-profit corporation or a parent (non-profit community service) cooperative. Visit the Companies Office website at companiesoffice.gov.mb.ca/notices/non_profit.pdf to learn about non-profit

incorporation and the Growth, Enterprise and Trade website at gov.mb.ca/jec/busdev/coop/coop_overview.html to learn about cooperatives.

4. Certificate of Eligibility - Timeframe: Prior to Centre Opening

Once construction is complete, the corporation will submit an application to the ELCC Program, to obtain a Certificate of Eligibility.

Criteria at this phase requires:

- obtaining a child care licence for the centre, dated no later than two years after the date the construction permit was issued.

At this time, the corporation must submit the following documentation:

- an application for a Certificate of Eligibility;
- a Letter of Eligibility;
- a copy of a valid child care licence for the centre; and
- certified copies of the agreement between the corporation and the child care service provider (when applicable).

5. Certificate of Continuing Eligibility - Timeframe: Tax Years 1 to 5 after Centre Opening

A corporation will be eligible to begin claiming the Child Care Centre Development Tax Credit in the tax year after which the centre becomes operational. To make a claim, the corporation must submit a Certificate of Continuing Eligibility to the Canada Revenue Agency when filing their income taxes. The ELCC Program will provide the certificate.

Example: 74-space centre opens in September 2018

$$74 \text{ spaces} \times \$10,000 = \$740,000 \text{ (total available credit)}$$

$$\$740,000 \div 5 = \$148,000 \text{ (annual redemption)}$$

In this example, the corporation may claim \$148,000 per year, beginning in 2020 for the 2019 tax year, and continuing through 2024.

To receive a Certificate of Continuing Eligibility for each eligible tax year, the centre must:

- be assessed at an 86 per cent utilization rate or greater, based on the previous year's average annual attendance reports, as submitted to the ELCC Program.

An 86 per cent utilization rate is the same rate used to determine grant funding for child care centres. It is the benchmark for a centre to be considered full. If a centre's utilization rate for an annual period falls below 86 per cent, ELCC Program staff will work with the centre to bring the percentage up, so the corporation is able to claim the tax credit going forward for the remaining years.

APPENDIX A:

**Child Care Centre Development Tax Credit
Application for Letter of Eligibility**



Applicant Information	
Name of the Corporation:	
Number of Incorporation:	
Manitoba Address for the Corporation:	
Primary Business of the Corporation:	
Is the corporation a taxable Canadian corporation? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Name of Primary Contact for the Project:	
Daytime Phone Number:	
Email Address:	
Project Information	
Where will the child care centre be located?	
How will the child care centre be developed? Please check one of the boxes below: <input type="checkbox"/> New construction <input type="checkbox"/> Renovations to an existing space	
Please indicate the number infant and/or preschool spaces* that the project will create: <small>*the minimum number of spaces for a centre in Winnipeg is 74 and the minimum is 52 for a centre in a rural location.</small>	
Proposed construction start date:	
Preliminary Application Declaration and Authorization	
The applicant acknowledges that, if any of the information provided by the applicant in this application form is found to be false or incomplete, the Early Learning and Child Care Program, in its sole discretion, may cancel this application and the applicant's eligibility under the Child Care Centre Development Tax Credit Program initiative. The undersigned declares that he or she has the authority to complete this preliminary application:	
Signature: _____	Date: _____
AUTHORIZATION - FOR OFFICE USE ONLY	
<input type="checkbox"/> Approved for Letter of Eligibility <input type="checkbox"/> Not Approved for Letter of Eligibility	
Should the project proceed and continue to be eligible for the tax credit:	
Number of spaces that will be created: _____	
Total amount of credit that will be refunded to the corporation over five years: _____	
Minister's signature: _____	Date: _____

APPENDIX B

Maximum Daily Fees (Effective July 2013)				
AGE OF CHILD	HOURS OF CARE	MAXIMUM SUBSIDIZED DAILY FEE PER CHILD	MAXIMUM NON-SUBSIDIZED ADDITIONAL FEE PER CHILD	TOTAL CENTRE FEE
Infant (12 weeks to 2 years)	Less than 4 hours per day	\$14	\$1	\$15
	4 hours to 10 hours per day	\$28	\$2	\$30
	More than 10 hours per day	\$42	\$3	\$45
Preschool Age (2 years to 6 years)	Less than 4 hours per day	\$9.40	\$1	\$10.40
	4 hours to 10 hours per day	\$18.80	\$2	\$20.80
	More than 10 hours per day	\$28.20	\$3	\$31.20

Maximum Annual Operating Grants for Child Care Centres (Effective January 1, 2016)	
Type of Care	Funding Per Space
Infant Space	\$11,375.00
Preschool Space	\$4,180.00

APPENDIX C: Sample Request for Proposal

(Corporation)

Request for Proposal

**Seeking a Child Care Service Organization
for (address of centre location)**

Closing Date for Proposals:

Contact Information for *(Corporation)*:

Contact Person's Name:

Telephone Number:

Email Address:

Mailing Address:

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1. Purpose

(Corporation) is seeking a qualified for-profit/non-profit child care service organization with proven expertise in the field to assist with the physical design of the centre and to operate a dedicated child care space of *(number and type of spaces)* at *(address)*.

The successful child care organization will be required to enter into a rent/lease agreement to run and operate the facility, and the child care organization shall satisfy the following criteria:

- establish a for-profit / non-profit licensed child care centre;
- charge no more than the regulated maximum daily fees;
- establish a transparent, fair mechanism for the allocation of child care spaces, including maintenance of the agreed upon percentage of spaces allocated to *(Corporation)*'s employees; and
- be responsible for all administrative and financial obligations with respect to the operations of the child care centre.

2. Inquiries

The child care provider is responsible for clarifying any questions regarding the requirements prior to the closing date for this Request for Proposals (RFP).

Contact the following person with inquiries relating directly to this RFP:

Contact Person's Name:

Telephone Number:

Email Address:

Mailing Address:

3. Law

The law applicable to any agreement arising from this RFP shall be the law in force in province of Manitoba.

By submitting a proposal, the child care organization(s) agrees to disclosure of the information, subject to the provisions of the Freedom of Information and Protection of Privacy Acts.

4. Audit

(Corporation) reserves the right to audit the financial records, meeting minutes, as well as the administrative and operational practices of the for-profit/ non-profit organization's operations at any time.

5. Eligibility

In responding to this RFP, child care organizations warrant their compliance to licensing authorities and appropriate municipal, provincial and federal laws and orders. The child care organization must agree to indemnify *(Corporation)* and its employees if the child care organization fails to comply. *(Corporation)* reserves the right to cancel any

agreement arising from this RFP for failure to knowingly adhere to the terms of the agreement.

6. Indemnification

The successful child care organization agrees to indemnify and hold harmless (*Corporation*), its officers and employees against any damage caused by negligence or unlawful acts of the child care organization or its employees.

The child care organization further agrees to indemnify and hold harmless (*Corporation*), its officers and employees against any claims or costs initiated by third parties because of negligence or wrongful acts of the child care organization or its employees.

7. References

When requested in this proposal, references must include the contact name, phone number and other relevant contact information. (*Corporation*) reserves the right to contact those references at its discretion.

8. Insurance

Minimum requirements:

- A minimum of \$3 million in comprehensive general liability coverage for staff and children in attendance at the child care centre, including coverage for excursions away from the child care centre.
- Contents insurance for equipment and furniture.
- Business interruption insurance to cover situations where the child care centre suffers a major loss and alternate facilities are required.
- Business vehicle liability insurance, when applicable.

In addition, the organization may obtain directors' and officers' liability insurance.

(*Corporation*) will not assume responsibility for any loss, theft or damage of the child care organization's equipment.

The successful child care organization is required to provide (*Corporation*) with written confirmation of insurance coverage on an annual basis.

9. Submission Content and Criteria

All proposals are to be in a presentation format that includes the following instructions and headings, and lists things in the order indicated below (1-17):

- 1) Attach Appendix 1: Cover Page to the submission document as page 1**
- 2) Attach Appendix 2: Submission Check List as page 2**
- 3) Information about the child care organization:**
 - the incorporated legal name of the child care organization, address and formal business registration information;
 - the names and site/location addresses of all child care locations currently operated by this child care organization (when applicable);
 - a statement detailing the years of operation of each child care location; and

- the number of staff and occupation for each child care location.
- 4) **Statement of philosophy:** Include a description of your organization's philosophy towards early learning and child care and how you envision a partnership with (*Corporation*) will operate.
 - 5) **Statement of your organization's mission:** Include your organization's mission statement and provide practical examples of how this mission is accomplished.
 - 6) **Description of services proposed:** Include a detailed explanation of the programming that would be offered at this centre for all age groups.
 - 7) **Hours of operation:** The organization shall review (*Corporation's*) hours of operation requirements: (*Outline Corporation's hours of operation requirements*).
The provider shall indicate the hours of operation for this centre.
 - 8) **Enrolment/Waiting List:** The organization shall use the Online Child Care Registry (OCCR) to enrol children in the centre. The information on the OCCR will outline the priority enrolment of children of the (*Corporation's*) employees.
The organization shall review (*Corporation's*) priority enrolment requirements: (*Outline Corporation's enrolment requirements*)
The organization must also provide details of enrolment policies it maintains with respect to currently enrolled children, siblings and part-time care.
 - 9) **Parent Involvement:** The organization shall provide details on the type of parent involvement that will be encouraged at this centre, and if applicable, at other centres they are currently operating.
 - 10) **Fee Schedule:** The organization shall detail the daily fees they will charge to parents. In addition, the organization should also identify any other allowable optional fees that may be charged to parents.
 - 11) **Sign-in and Sign-out Procedures:** The organization shall maintain sign-in and sign-out procedures in accordance with Manitoba government requirements. The organization must detail what their sign-in and sign-out procedures will be for this centre.
 - 12) **Communication:** The organization must include descriptions and/or examples of communication, such as newsletters and bulletins that you have provided, or will provide, to the public on the operation of your child care centre(s).
 - 13) **Business Record:** The organization must demonstrate a successful track record of offering similar services, and also provide your organization's history, details about your current centre(s), management experience and credentials, a list of board members and directors, and a proposed budget for the centre(s).
 - 14) **Financial Stability:** The organization is required provide a minimum of two years of financial statements for the organization.

15) Staffing Ratios and requirements: The organization shall meet or exceed the proportion of trained staff, staffing ratios and requirements for infants, preschool children and, when applicable school age children as specified in the provincial child care regulations. What strategy does the organization have in place to deal with recruiting and retaining high quality educated staff? The provider must be prepared to provide detailed answers to these questions in an interview, or upon request.

16) Health and Safety: The organization shall enforce health and safety standards that are consistent with Manitoba government regulations in such areas as safe work procedures, administration of medications and emergency information forms. The organization must provide the Work Place Health and Safety Plan proposed for this centre, and include a description on how staff members will receive new employee orientation and on-going training, as required under Workplace Safety and Health legislation.

17) Staff Development: The organization shall detail the professional development opportunities they provide to staff in their response.

18) Reviews: (*Corporation*) may require the successful child care organization to participate in an evaluation to satisfy (*Corporation*) that the child care organization is meeting the commitments submitted in this RFP.

19) References: A minimum of four references must be provided. At least one must be from each of the following categories:

- client references;
- parent references;
- professional references (e.g., Manitoba Child Care Association); and
- bank reference.

The references must include a contact name, organization name (if applicable), address and the contact's daytime phone number(s).

10. Process

(*Corporation*) will review the requests for proposals and select a solution to meet the following primary objectives:

- That a licensed, for-profit/non-profit child care be established.
- That the child care services and programs offered meet the needs of (*Corporation*) and its employees.
- That the child care organization be responsible for all financial obligations associated with the operations of the child care centre.
- Proposals will be reviewed and evaluated by a (*Corporation*) established team, who will evaluate each submission according to, but not limited to, the submission criteria. References may be checked at this time and child care organizations may be asked to attend a meeting.
- If submissions have provided viable options, (*Corporation*) will enter into negotiations with the selected organization(s) and, if successful, a contract will be formed as a direct result of issuing this RFP.

- (Corporation) reserves the right to accept or reject all or any part of a proposal as deemed to be in the best interest of (Corporation).
- If, in the opinion of (Corporation), the bids do not meet the criteria identified, various other options may be considered. (Corporation) is not obligated to award any contract(s) as a result of issuing this RFP.
- This RFP does not form a contract and (Corporation) is under no obligation to receive further information or participate in discussions as a result of issuing this RFP.

11. Time Frame

Proposal submissions will be evaluated by (*date*). The evaluation committee may contact the child care organization with questions, to schedule a meeting or presentation of their proposal.

The evaluation committee's decision is expected by (*date*).

Child care organizations shall keep their proposal open for acceptance for 90 days following the RFP closing date. If an agreement with a successful child care organization cannot be reached within 45 days of initial negotiations, (Corporation) may terminate negotiations with that child care organization and initiate negotiations with another.

12. Proposal Procedures

Child care organizations must submit four hard copies by mail and one electronic copy of the proposal by email by (*date*).

Late proposals will not be accepted.

13. Alternatives

(Corporation) encourages innovation in submitting proposals: Child care organizations may present more than one alternative, in the required format. A separate proposal is required for each alternative.

14. Terms of Agreement

The initial agreement will be for a minimum five-year period.

(Corporation) reserves the right to renew for an additional five-year period, and any time thereafter, provided it is mutually agreed upon.

The child care organization shall pay certain direct operating costs associated with the centre. The child care organization shall maintain the centre area(s) and provide, replace and repair their furnishings and equipment, as required for their operation.

(Corporation) shall maintain and repair the building and pay costs associated with repairs to the building including the plumbing, electrical and/or heating/cooling systems as required for the operation of the centre.

An annual rental fee charged by (Corporation) will be based on a formula that considers the square feet occupied by the centre, services provided by the (Corporation) such as costs for water and sewer, electricity, gas, general maintenance, common area janitorial services and grounds maintenance, including snow removal. Keeping in mind, the child care organization is a not-for-profit entity with limited revenue.

(Corporation) will undertake annual reviews with the successful child care organization for the purpose of contract review and service evaluation.

If *(Corporation)* is unable to provide the facility in a condition suited for its purpose, and the child care organization is not responsible for this situation, then the rent for the facility shall abate for the time that the facility is unavailable or not suited for its purpose.

15. Termination

It is a condition of this RFP and subsequent contract that *(Corporation)* or the child care organization may terminate an agreement with due cause, with 90 days written notice, hand delivered.

The disposition of any leasehold improvements will be negotiated in relation to their fair market value. This requirement has been made so *(Corporation)* has sufficient time to find and enter into negotiations with an alternate, for-profit/ non-profit child care service organization.

16. (Corporation) Obligations

(Corporation) will collaborate with the child care organization to meet the obligations of the locked door policy, as set out under Manitoba Regulation 62/86 Section 5.2.1 Controlling Visitor Access.

(Corporation) is responsible to provide the leased space, water, heat and electricity to support normal operations.

(Corporation) is responsible to maintain light housekeeping for the common areas of the facility, including waste removal and vacuuming (as necessary). The child care organization is responsible for cleaning its own interior space.

17. Child Care Service Organization Obligations

The successful child care organization will be responsible for all money collection, tax remittance and insurance claims for services rendered.

The successful child care organization must maintain adequate accounting records, indicating the volume, types of services and the fees collected. The records must be available for *(Corporation)* audit if deemed necessary or required by law.

Appendix 1 - Submission Checklist

Submission Requirements	Yes / No	Notes
1. Child care organization's legal name, address and formal business registration information		
2. The legal names and site/location addresses of <u>all</u> current child care locations that are currently operated by this organization (if applicable)		
3. A statement detailing the years of operation of each child care location		
4. The number of staff and occupation for each child care location		
5. Statement of philosophy		
6. Statement of your organization's mission		
7. Description of services proposed		
8. Hours of operation		
9. Enrolment and waiting list statement		
10. Parent involvement statement		
11. Fee schedule		
12. Sign-in and sign-out procedures		
13. Examples of communication (newsletters, etc.)		
14. Business record, including board of directors		
15. Two years of financial statements for the organization		
16. Staffing ratios and requirements		
17. Health and safety plan and statement		
18. Staff development statement		
19. References		
20. Client references		
21. Parent references		
22. Professional references (e.g., Manitoba Child Care Association)		
23. Bank reference		

Appendix 2 - Submission Cover Page

(Corporation) - Child Care Provider Submission

We have reviewed (*Corporation*) Request for Proposal for Child Care Organization for (*Corporation*) at (*address of centre location*).

Enclosed is our submission to provide services for the above project:

Child Care Organization's Incorporated Name:

Child Care Organization's Mailing Address:

Contact Person's Name:

Contact Person's Telephone Number:

Contact Person's Email Address:

Authorized Signature: _____ Date: _____