

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 21-25: TAXATION – DAY CARE AND CHILD CARE PROPERTY TAX CREDIT

SUMMARY

The Office of Legislative Oversight (OLO) finds the anticipated racial equity and social justice (RESJ) impact of Bill 21-25 is indeterminant. Child and day care center stakeholders – including owners of these businesses and families who rely on them – would benefit most from the proposed changes to the Child and Day Care Property Tax Credit. However, OLO could not find data on the demographics of these groups by race and ethnicity.

PURPOSE OF RESJ IMPACT STATEMENTS

RESJ impact statements (RESJIS) evaluate the anticipated impact of legislation on racial equity and social justice in the County. RESJ is a **process** that focuses on centering the needs, leadership, and power of Black, Indigenous, and other People of Color (BIPOC) and communities with low incomes. RESJ is also a **goal** of eliminating racial and social inequities. Applying a RESJ lens is important to achieve RESJ.¹ This involves seeing, thinking, and working differently to address the racial and social inequities that cause racial and social disparities.²

PURPOSE OF BILL 21-25

The County's Day Care Provider Tax Credit is a property tax credit that is 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 that are eligible for the credit include registered family child care (FCC) homes, licensed child care centers, and licensed day care centers for adults and seniors.³

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:⁴

- Increase the maximum amount of the credit from \$3,000 to \$10,000;
- Expand eligibility for the credit to large FCC 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.

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

This RESJIS builds on the one for Bill 42-21, Child Care – Early Care and Education Coordinating Entity – Established, which OLO published in December 2021. Please refer to this RESJIS for background on economic opportunity, childcare, and racial equity.⁵

ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Bill 21-25 on RESJ in the County, OLO recommends the consideration of two related questions:

RESJ Impact Statement

Bill 21-25

- Who would primarily benefit or be burdened by this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

OLO identified the following groups who would be impacted by changes to the Day Care and Child Care Property Tax Credit proposed in Bill 21-25:

- **Owners of child and day care businesses who make property improvements** would benefit from an increase in the property tax credit. Additionally, owners of large FCC homes would benefit from gaining eligibility for the property tax credit.

OLO could not find local data on the demographics of child and day care business owners by race and ethnicity. However, national data suggests FCC businesses in particular are disproportionately BIPOC women owned. As shown in Table A (Appendix), Black and Latina women are overrepresented among listed and unlisted home-based providers. Conversely, White and Asian women are underrepresented.

While Black and Latina women are overrepresented among FCC providers, they are less likely to have the capital necessary to make property improvements. Because of occupational segregation,⁶ early educators, including FCC providers, are among the lowest-paid workers in the country and often experience financial insecurity.⁷ Locally, early educators earn between \$19,000 and \$55,000 annually, compared to \$89,492 for all full-time workers in the County.^{8,9} Other inequities like the racial wealth gap and racial discrimination in small business lending further limit access to capital to Black and Latinx business owners to make investments like property improvements.^{10,11}

- **Community members who rely on child and day care businesses** – including community members who are employed by these businesses and families who demand child and/or day care – would benefit from improved quality in businesses who use the property tax credit to make property improvements. If businesses make property improvements that expand their capacity, community members could also benefit from increased job opportunities and child and/or day care availability. As shown in Table A (Appendix), nationally, Black women are overrepresented among teaching staff in child care centers. Locally, Black community members are more likely to work in the educational services, health care, and social assistance industry that employs early educators (Table B, Appendix). Moreover, as shown in Table C (Appendix), young children under five in the County are more likely to be Latinx, equally likely to be Black, and less likely to be White or Asian.
- **Community members at large** would be burdened by the decreased revenue resulting from the property tax credit. Property taxes are the largest source of tax revenue for the County government.¹² The forgone revenue would undermine the County's ability to provide public goods and services. The resource limitations could particularly harm BIPOC community members, especially as they continue to become a larger part of the population.

However, there are several unanswered questions for determining how this property tax credit will ultimately impact racial and social inequities. These include but are not limited to:

- **The demographics of local child and day care center business owners.** For child care specifically, child care centers comprise the largest share of the child care market in the County, with over 20,000 more slots than local FCCs.¹³ Further, because of financial challenges experienced by FCC providers, business owners of child and day care centers are likely best positioned to make property improvements and to thus use the property tax credit.

RESJ Impact Statement

Bill 21-25

- **The demographics of families who use local child and day care centers.** Since child and day care centers are most likely to use the property tax credit, families who use these businesses will benefit more from Bill 21-25 than families who use FCCs or other forms of child and day care that are not center based. For child care specifically, the latest data at the national level suggests that Black and Latinx children are less likely to use center-based care than White and Asian children.¹⁴

OLO finds the anticipated RESJ impact of Bill 21-25 is indeterminant. Child and day care center stakeholders – including owners of these businesses and families who rely on them – would benefit most from the proposed changes to the Child and Day Care Property Tax Credit. However, OLO could not find data on the demographics of these groups by race and ethnicity.

RECOMMENDED AMENDMENTS

The Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.¹⁵ OLO anticipates Bill 21-25 will have a positive impact on RESJ in the County. As such, OLO does not offer recommended amendments. However, should the Council seek to improve the RESJ impact of this Bill, OLO offers one policy option for Council consideration:

- **Require outreach, education, and technical assistance on property tax credit that centers Black and Latina FCC providers.** Because of several racial inequities, FCC providers, especially those who are Black and Latina, are less likely than center-based providers to use the Day Care and Child Care Property Tax Credit. To ensure that uptake of the property tax credit is maximized to advance RESJ, the Council could require the Department of Finance to engage in targeted outreach, education, and technical assistance to Black and Latina FCC providers to apply for the property tax credit.

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than 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.

RESJ Impact Statement

Bill 21-25

APPENDIX

Table A. Early Care and Education Workforce by Race and Ethnicity, United States, 2019

Race or ethnicity ¹⁶	Center-Based Teaching Staff (%)	Listed Home-Based Providers (%)	Unlisted Home-Based Providers (%)	U.S. Population (%)
Asian	2.7	3.3	0.6	5.5
Black	17.4	21.8	24.6	12.3
White	59.7	50.6	43.8	60.7
Other	3.2	5.2	6.7	2.8
Latinx	17.0	19.2	24.3	18.0

Source: [Early Childhood Workforce Index 2024, Center for the Study of Child Care Employment](#); [Table DP05, 2019 American Community Survey 5-Year Estimates, Census Bureau](#).

Table B. Share of Community Members Employed in Educational Services, Health Care, and Social Assistance Occupations by Race and Ethnicity, Montgomery County

Race and Ethnicity ¹⁷	Share of Community Members in Occupations
Asian	21.4
Black	28.1
White	21.2
Latinx	15.3
County	21.3

Source: [Table S0201, 2023 American Community Survey 1-Year Estimates, Census Bureau](#).

Table C. Share of Children Under 5 Years by Race and Ethnicity, Montgomery County

Race and Ethnicity	Share of Children Under 5 Years
Asian	3.0
Black	5.3
White	4.5
Latinx	8.1
County	5.6

Source: [Table S0201, 2023 American Community Survey 1-Year Estimates, Census Bureau](#).

¹ Definition of racial equity and social justice adopted from [Marlysa Gamblin et al., "Applying Racial Equity to U.S. Federal Nutrition Programs," Bread for the World and Racial Equity Tools](#).

² Ibid.

³ [Day Care Provider Tax Credit, Montgomery County 311](#).

⁴ [Introduction Staff Report for Bill 21-25, Montgomery County Council, Introduced June 17, 2025](#).

⁵ [RESJIS for Bill 42-21, Office of Legislative Oversight, December 8, 2021](#).

⁶ [Allie Schneider and Hailey Gibbs, "Data Dashboard: An Overview of Child Care and Early Learning in the United States," Center for American Progress, December 14, 2023](#).

⁷ ["Early Educator Pay & Economic Insecurity Across the States," Early Childhood Workforce Index 2024, Center for the Study of Child Care Employment, University of California, Berkeley](#).

RESJ Impact Statement

Bill 21-25

⁸ [“Child Care Demographics 2024: Montgomery County Report,” Maryland Child Care Resource Network, pg. 5.](#)

⁹ [Table S2412, 2023 American Community Survey 5-Year Estimates, Census Bureau.](#)

¹⁰ [Kilolo Kijakazi, et al., “The Color of Wealth in the Nation’s Capital,” Urban Institute, pg. 58.](#)

¹¹ [Mark E. Schweitzer and Brent Meyer, “Access to Credit for Small and Minority-Owned Businesses,” Federal Reserve Bank of Cleveland, March 22, 2022.](#)

¹² [FY25 Approved Taxes, Revenues, Montgomery County Operating Budget.](#)

¹³ “Child Care Demographics 2024: Montgomery County Report,” pg. 6.

¹⁴ [Fast Facts: Child care, Institute of Education Sciences, 2019.](#)

¹⁵ [Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council.](#)

¹⁶ For Table A, race is not inclusive of Latinx origin. Estimates for Native American and Pacific Islander community members are not available.

¹⁷ For Tables B and C, race is inclusive of Latinx origin. Estimates for Native American and Pacific Islander community members are not available.