

FINAL STATEMENT OF REASONS  
PROPOSED REGULATION SECTION 17052.6,  
RELATING TO THE CHILD AND DEPENDENT CARE EXPENSES CREDIT

The proposed regulations do not impose any mandate on local agencies or school districts.

**UPDATE OF INITIAL STATEMENT OF REASONS**

In accordance with the requirement of Government Code section 11346.2, subdivision (b)(5), that the Franchise Tax Board consider alternatives to the proposed regulatory action, staff of the Franchise Tax Board conducted two interested parties meetings prior to commencing the formal regulatory process. A first interested parties meeting was held on May 31, 2011, to solicit input from the public. Staff did not provide language at that time, but rather provided discussion topics that sought to elicit input on the content of a potential regulation that would provide guidance regarding the substantiation requirements of the Child and Dependent Care Expenses (CDC) credit.

After this first Interested Parties Meeting, language for the proposed regulation was drafted based upon the public comments received. This language was provided for public review and comment at a second interested parties meeting held on February 15, 2012. After the second Interested Parties Meeting, staff considered the public comments and determined to add minor clarifying language to subsection (b)(3), limiting the subsection's applicability to individual care providers, and (b)(5), adding "year-end statements" to the non-exhaustive list of items that can be provided by the taxpayer as proof of payment. Additionally, staff amended the language of subsection (b)(3) to remove the requirement that the taxpayer provide documentation which establishes the care provider's employment authorization. Staff also made minor grammatical changes to Examples 1 through 4, and added Example 5, detailing sufficient evidence that may establish the location at which the care was provided, in an effort to provide further guidance to taxpayers.

The public notice required by Government Code section 11346.4 was mailed and published in the California Notice Register on February 15, 2013. The notice stated that public hearing on the proposed regulation would be held on April 18, 2013. There were no comments made at the public hearing and no written comments were received. Consequently, the department has not made any revisions to the proposed regulation.

**ALTERNATIVES DETERMINED**

The Franchise Tax Board has determined that no alternative to the proposed regulation it considered would be more effective in carrying out the purpose of the proposed regulation or would be as effective and less burdensome to affected private persons than the adopted regulation, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provisions of the law, in accordance with Government Code section 11346.9, subdivision (a).