

STATE OF OKLAHOMA

1st Session of the 59th Legislature (2023)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
SENATE BILL NO. 1063

By: Garvin of the Senate

and

Lawson of the House

COMMITTEE SUBSTITUTE

[income tax - credit - report - effective date]

~~BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:~~

SECTION 1. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 2357.231 of Title 68, unless
there is created a duplication in numbering, reads as follows:

A. As used in this section:

1. "Child" means an individual who is five (5) years of age or
less;

2. "Child care and education provider" means a person who owns
or operates an eligible program;

3. "Child care expense" means the cost of locating safe and
dependable services for the care of a minor child of an employee;

1 4. "Eligible program" means an applicable child care and early
2 childhood education program that has applied to participate in the
3 quality rating and improvement system and has been assigned a
4 quality scale rating;

5 5. "Eligible staff member" means an individual who is employed
6 with, or who is a self-employed individual providing child care and
7 early childhood education for, an eligible program for at least six
8 (6) months of the taxable year. Eligible staff member does not
9 include certificated teaching and administrative staff employed by
10 programs established pursuant to applicable provisions of law;

11 6. "Employee" means a person to whom wages or other
12 compensation is paid by an employer;

13 7. "Employer" means any sole proprietor or lawfully recognized
14 business entity engaged in lawful business activity;

15 8. "Licensed child care facility" means a person or entity
16 lawfully authorized to provide child care services within the state
17 and which is enrolled in Oklahoma's Quality Rating and Improvement
18 System (QRIS);

19 9. "Qualified child care worker" means a person employed for at
20 least eight (8) consecutive months during the calendar year
21 corresponding to the income tax year for which the credit authorized
22 by this section is claimed and who performs classroom services for a
23 licensed child care facility and who is enrolled in Oklahoma's
24 Professional Development Ladder (PDL); and

1 10. "Quality scale rating" means the rating of an eligible
2 program under which the rating is expressed in terms of stars.

3 B. For taxable years beginning on or after January 1, 2024, and
4 ending not later than December 31, 2028, subject to the limitations
5 prescribed by this subsection and subsection D of this section,
6 there shall be allowed as a credit against the tax imposed pursuant
7 to Section 2355 of Title 68 of the Oklahoma Statutes, an amount
8 equal to:

9 1. Thirty percent (30%) of the amount expended by an employer
10 for assistance provided by the employer to an employee for the
11 employee's direct expenses of child care;

12 2. Thirty percent (30%) of the amount expended by an employer
13 for the cost of operating a child care facility primarily used by
14 dependents of the employees of such employer, excluding any payments
15 made by the parent or guardian of such dependent such as tuition or
16 fees;

17 3. Fifty percent (50%) of the amount expended by the employer
18 to construct, either through new construction or rehabilitation of a
19 structure, located not more than two (2) miles from the site at
20 which employees perform primary work duties unless working remotely,
21 to provide child care services to the children of the employees; or

22 4. Fifty percent (50%) of the amount expended by the employer
23 to establish, construct, acquire or develop a child care facility in
24 conjunction with one or more other entities, whether for-profit

1 business entities, nonprofit entities or other lawfully organized
2 entities, to provide child care services.

3 C. The total credit amount which may be claimed by an employer
4 pursuant to the provisions of this section shall not exceed:

5 1. Thirty Thousand Dollars (\$30,000.00) for credits claimed
6 pursuant to paragraph 1 or 2 of subsection B of this section for any
7 taxable year; or

8 2. Forty-five Thousand Dollars (\$45,000.00) for credits claimed
9 pursuant to paragraph 3 or 4 of subsection B of this section for any
10 taxable year.

11 D. The credits authorized pursuant to the provisions of this
12 section shall not be used to reduce the income tax liability of the
13 taxpayer to less than zero (0).

14 E. To the extent not used the credits authorized by this
15 section may be carried over, in order, to each of the succeeding
16 five (5) tax years.

17 F. For the tax year beginning January 1, 2026, and each tax
18 year thereafter, the total amount of credits authorized by this
19 section used to offset tax shall be adjusted annually to limit the
20 annual amount of credits to Five Million Dollars (\$5,000,000.00).
21 The Tax Commission shall annually calculate and publish by the first
22 day of the affected year a percentage by which the credits
23 authorized by this section shall be reduced so the total amount of
24 credits used to offset tax does not exceed Five Million Dollars

1 (\$5,000,000.00) per year. The formula to be used for the percentage
2 adjustment shall be Five Million Dollars (\$5,000,000.00) divided by
3 the credits claimed in the second preceding year.

4 G. In the event the total tax credits authorized by this
5 section exceed Five Million Dollars (\$5,000,000.00) in any calendar
6 year, the Tax Commission shall permit any excess over Five Million
7 Dollars (\$5,000,000.00) but shall factor such excess into the
8 percentage adjustment formula for subsequent years.

9 H. The provisions of this section shall cease to have the force
10 and effect of law on January 1, 2029.

11 SECTION 2. NEW LAW A new section of law to be codified
12 in the Oklahoma Statutes as Section 2357.232 of Title 68, unless
13 there is created a duplication in numbering, reads as follows:

14 A. As used in this section:

15 1. "Child" means a person less than five (5) years of age;

16 2. "Licensed child care facility" means a person or entity
17 lawfully authorized to provide child care services within the state
18 and which is enrolled in Oklahoma's Quality Rating and Improvement
19 System (QRIS); and

20 3. "Qualified child care worker" means a person employed for at
21 least eight (8) consecutive months during the calendar year
22 corresponding to the income tax year for which the credit authorized
23 by this section is claimed and who performs classroom services for a
24 licensed child care facility and who is enrolled in Oklahoma's

1 Professional Development Ladder (PDL) and has earned a minimum of
2 twelve (12) credit hours.

3 B. For taxable years beginning January 1, 2024, and ending not
4 later than December 31, 2028, there shall be allowed a credit
5 against the tax imposed pursuant to Section 2355 of Title 68 of the
6 Oklahoma Statutes in the amount of Five Hundred Dollars (\$500.00)
7 for a qualified child care worker.

8 C. The credit authorized by this section shall be refundable.
9 The credit shall first be applied to income tax liability, if any,
10 for the income tax year for which the credit is claimed and the
11 balance shall be refunded to the taxpayer.

12 D. For the tax year beginning January 1, 2026, and each tax
13 year thereafter, the total amount of credits authorized by this
14 section used to offset tax shall be adjusted annually to limit the
15 annual amount of credits to Seven Million Dollars (\$7,000,000.00).
16 The Tax Commission shall annually calculate and publish by the first
17 day of the affected year a percentage by which the credits
18 authorized by this section shall be reduced so the total amount of
19 credits used to offset tax does not exceed Seven Million Dollars
20 (\$7,000,000.00) per year. The formula to be used for the percentage
21 adjustment shall be Seven Million Dollars (\$7,000,000.00) divided by
22 the credits claimed in the second preceding year.

23 E. In the event the total tax credits authorized by this
24 section exceed Seven Million Dollars (\$7,000,000.00) in any calendar

1 year, the Tax Commission shall permit any excess over Seven Million
2 Dollars (\$7,000,000.00) but shall factor such excess into the
3 percentage adjustment formula for subsequent years.

4 F. The provisions of this section shall cease to have the force
5 and effect of law on January 1, 2029.

6 SECTION 3. This act shall become effective November 1, 2023.

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