

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 13, 2024

BILL NUMBER: HB 4147 **STATUS AND DATE OF BILL:** Engrossed 3/12/24

AUTHORS: House: Schreiber, Lawson, Cantrell, Menz, Deck, Ranson, Talley, Hefner
and Caldwell (Chad) Senate: Pugh

TAX TYPE(S): Income Tax **SUBJECT:** Credit

PROPOSAL: New Law

Engrossed HB 4147 proposes to create a new nonrefundable credit for an employer's childcare expense, limited to \$30,000 per employer. In addition, the proposal allows a \$1,000 refundable credit for a qualified childcare worker. Both proposed credits are effective for tax years 2025 - 2029 and are subject to total annual credit caps (see attachment).

EFFECTIVE DATE: January 1, 2025

REVENUE IMPACT:

In its February 2022 Report to Congressional Committees, the U.S. Government Accountability Office reported that in 2018, the most recent year available, IRS estimated 143 - 166 corporate income tax returns reported an estimated \$144.7 - \$154.8 million in qualified childcare facility expenditures. The U.S. Census Bureau's QuickFacts for 2021 further indicate that Oklahoma businesses comprise approximately 1.2% of all U.S. businesses.

FY 25: Estimated \$24,000 decrease in corporate income tax revenue.

FY 26: Estimated \$60,000 decrease in corporate income tax revenue and unknown decrease in individual income tax revenue.

3/16/24

DATE

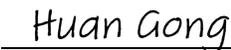


MARIE SCHUBLE, DIVISION DIRECTOR

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3/13/24

DATE



HUAN GONG, ECONOMIST

3/18/2024

DATE



JOSEPH P. GAPPA, FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT - HB 4147 Prepared: March 13, 2024

PROPOSED NEW LAW: Engrossed HB 4147 proposes to create a new nonrefundable credit for an employer's childcare expense.¹ Effective for tax years 2025 – 2029, an **employer** may claim as a credit:

- 30% of the amount expended by an employer for assisting with an employee's direct childcare expenses;
- 30% of the amount expended by an employer for the cost of operating or contracting to operate a childcare facility; or
- 30% of the amount expended by an employer to contract with a childcare facility to reserve spots for its employees.

Total annual credits are limited to **\$30,000 per employer**, and any unused credits may be carried forward to five succeeding tax years. Total combined credits used to reduce income tax liabilities are further limited to \$5 million per fiscal year.²

A **qualified childcare worker** may claim a **\$1,000 refundable credit**. Total combined credits are limited to \$14 million per fiscal year.²

ANTICIPATED IMPACT: In its February 2022 Report,³ the U.S. Government Accountability Office (GAO) reported that in 2018, the most recent year available, IRS estimated 143 – 166 corporate income tax returns reported an estimated \$144.7 - \$154.8 million in qualified childcare facility expenditures on Form 8882.⁴ The U.S. Census Bureau⁵ further indicates that Oklahoma businesses comprise approximately 1.2% of all U.S. businesses. Based on this information, it appears 2 Oklahoma businesses may have claimed the existing Employer-Provided Childcare Credit for tax year 2018. Assuming similar activity for tax year 2025, an estimated employer credit of approximately \$60,000 may be claimed in FY 2026 when the 2025 tax returns are filed.

In addition, the Center for Early Childhood Professional Development reported 21,385 PDL certificates were issued for FY 2023.⁷ If all participants claimed the proposed credit during FY 2023, the resulting total would be approximately \$21.4 million; however, the actual number of participants who could be considered qualified childcare workers for the credit is unknown.

Based on the available information, the expected revenue impact of the proposal is an estimated decrease in corporate income tax revenue of \$24,000 for FY 2025 and \$60,000 for FY 2026. In addition, an unknown decrease in individual income tax revenue is expected for FY 2026.

¹ The IRS currently allows the Employer-Provided Childcare Credit for up to \$150,000, and an employer may deduct eligible expenditures that exceed the credit. See <https://www.irs.gov/businesses/small-businesses-self-employed/employer-provided-childcare-credit#:~:text=To%20claim%20the%20credit%2C%20use,See%20Form%208882%20General%20Instructions>.

² It is unclear how the Oklahoma Tax Commission should administer the annual credit cap.

³ See [GAO-22-105264, EMPLOYER-PROVIDED CHILD CARE CREDIT: Estimated Claims and Factors Limiting Wider Use](#).

⁵ See IRS Form 8882 Credit for Employer-Provided Childcare Facilities and Services at [Form 8882 \(Rev. December 2017\)](#) (irs.gov).

⁶ See [U.S. Census Bureau QuickFacts: United States](#).

⁷ See <https://cecpd.org/Portals/1400/Assets/2023%20Annual%20Report%20Final%20Compressed.pdf>.

⁸ A decrease in estimated payments may be expected, beginning for FY 2025.