

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

COMMITTEE SUBSTITUTE
FOR

SENATE BILL 1389

By: Daniels and Jett of the
Senate

and

Caldwell (Chad) of the
House

COMMITTEE SUBSTITUTE

An Act relating to income tax credit; amending
Section 2, Chapter 278, O.S.L. 2023, as last amended
by Section 2, Chapter 295, O.S.L. 2025 (70 O.S. Supp.
2025, Section 28-101), which relates to the Oklahoma
Parental Choice Tax Credit Act; modifying annual
limit for certain fiscal years; updating statutory
language; and declaring an emergency.

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

SECTION 1. AMENDATORY Section 2, Chapter 278, O.S.L.
2023, as last amended by Section 2, Chapter 295, O.S.L. 2025 (70
O.S. Supp. 2025, Section 28-101), is amended to read as follows:

Section 28-101. A. As used in the Oklahoma Parental Choice Tax
Credit Act:

1 1. "Accrediting association" means a recognized legal entity
2 that meets the accreditation requirements set by the State Board of
3 Education, another accrediting association approved by the State
4 Board of Education, or a legal entity that accredits education
5 organizations in multiple states, whose purpose is to verify that an
6 education program meets or exceeds predetermined criteria, and
7 monitor the education organization during the time it is accredited
8 by completing regular reevaluations and on-site inspections of the
9 education program;

10 2. "Commission" means the Oklahoma Tax Commission;

11 3. "Curriculum" means a complete course of study for a
12 particular content area or grade level;

13 4. "Department" means the State Department of Education;

14 5. "Education service provider" means a person, business,
15 public school district, public charter school, magnet school, or
16 organization that provides educational goods ~~and/or~~ or services to
17 eligible students in this state;

18 6. "Eligible student" means a resident of this state who is
19 eligible to enroll in a public school in this state. Eligible
20 student shall include a student who is enrolled in and attends or is
21 expected to enroll in a private school in this state accredited by
22 the State Board of Education or another accrediting association or a
23 student who is educated pursuant to the other means of education
24

1 exception provided for in subsection A of Section 10-105 of this
2 title;

3 7. "Qualified expense" for the purpose of claiming the credit
4 authorized by paragraph 1 of subsection C of this section means
5 tuition and fees at a private school in this state accredited by the
6 State Board of Education or another accrediting association. Such
7 private school shall comply with the provisions of subsection L of
8 this section. Provided, the amount of tuition and fees considered a
9 qualified expense pursuant to this paragraph shall not include
10 tuition and fees paid with any scholarship or tuition and fees
11 discounted or otherwise reduced by the school;

12 8. "Qualified expense" for the purpose of claiming the credit
13 authorized by paragraph 2 of subsection C of this section means the
14 following expenditures:

- 15 a. tuition and fees for nonpublic learning programs,
16 online or in person,
- 17 b. academic tutoring services provided by an individual
18 or a private academic tutoring facility,
- 19 c. textbooks, curriculum, or other instructional
20 materials including, but not limited to, supplemental
21 materials or associated online instruction required by
22 an education service provider, and
- 23 d. fees for nationally standardized assessments
24 including, but not limited to, assessments used to

determine college admission and advanced placement examinations as well as tuition and fees for tutoring or preparatory courses for the assessments; and

9. "Taxpayer" means a biological or adoptive parent, grandparent, aunt, uncle, legal guardian, custodian, or other person with legal authority to act on behalf of an eligible student.

B. There is hereby created the Oklahoma Parental Choice Tax Credit Program to provide an income tax credit to a taxpayer for qualified expenses to support the education of eligible students in this state.

C. For the tax year 2024 and subsequent tax years, and fiscal year 2026 and subsequent fiscal years, there shall be allowed against the tax imposed by Section 2355 of Title 68 of the Oklahoma Statutes a credit for any Oklahoma taxpayer who incurs a qualified expense on behalf of an eligible student, to be administered subject to the following amounts:

1. If the eligible student attends a private school in this state accredited by the State Board of Education or another accrediting association, the annual maximum credit amount for tax year 2024, fiscal year 2026, and each subsequent fiscal year shall be:

a. Seven Thousand Five Hundred Dollars (\$7,500.00) or the amount of tuition and fees for the private school, whichever is less, if the combined adjusted gross

1 income of the parents or legal guardians of the
2 eligible student during the second preceding tax year
3 does not exceed Seventy-five Thousand Dollars
4 (\$75,000.00),

5 b. Seven Thousand Dollars (\$7,000.00) or the amount of
6 tuition and fees for the private school, whichever is
7 less, if the combined adjusted gross income of the
8 parents or legal guardians of the eligible student
9 during the second preceding tax year is more than
10 Seventy-five Thousand Dollars (\$75,000.00) but does
11 not exceed One Hundred Fifty Thousand Dollars
12 (\$150,000.00),

13 c. Six Thousand Five Hundred Dollars (\$6,500.00) or the
14 amount of tuition and fees for the private school,
15 whichever is less, if the combined adjusted gross
16 income of the parents or legal guardians of the
17 eligible student during the second preceding tax year
18 is more than One Hundred Fifty Thousand Dollars
19 (\$150,000.00) but does not exceed Two Hundred Twenty-
20 five Thousand Dollars (\$225,000.00),

21 d. Six Thousand Dollars (\$6,000.00) or the amount of
22 tuition and fees for the private school, whichever is
23 less, if the combined adjusted gross income of the
24 parents or legal guardians of the eligible student

1 during the second preceding tax year is more than Two
2 Hundred Twenty-five Thousand Dollars (\$225,000.00) but
3 does not exceed Two Hundred Fifty Thousand Dollars
4 (\$250,000.00), or

5 e. Five Thousand Dollars (\$5,000.00) or the amount of
6 tuition and fees for the private school, whichever is
7 less, if the combined adjusted gross income of the
8 parents or legal guardians of the eligible student
9 during the second preceding tax year is more than Two
10 Hundred Fifty Thousand Dollars (\$250,000.00);

11 2. For tax year 2024 and subsequent tax years, the maximum
12 credit amount shall be One Thousand Dollars (\$1,000.00) in qualified
13 expenses per eligible student in each tax year if the eligible
14 student is educated pursuant to the other means of education
15 exception provided for in subsection A of Section 10-105 of this
16 title. To claim the credit, the taxpayer shall submit to the
17 Commission receipts for qualified expenses as defined by paragraph 8
18 of subsection A of this section;

19 3. If the eligible student attends a private school in this
20 state, accredited by the State Board of Education or another
21 accrediting association, that exclusively serves students
22 experiencing homelessness, the credit amount shall be Seven Thousand
23 Five Hundred Dollars (\$7,500.00) or the amount of the cost to
24

1 educate the eligible student at the private school, whichever is
2 less;

3 4. If the eligible student attends a private school in this
4 state, accredited by the State Board of Education or another
5 accrediting association, that primarily serves financially
6 disadvantaged students, the credit amount shall be the maximum
7 credit amount authorized by paragraph 1 of this subsection or the
8 amount of the cost to educate the eligible student at the private
9 school, whichever is less. The cost to educate the eligible student
10 shall be equal to the average cost to educate all students attending
11 the private school, which shall be calculated by dividing the
12 private school's total expenditures in the previous year by the
13 total enrollment in the previous school year. A private school
14 shall be deemed to be primarily serving financially disadvantaged
15 students if ninety percent (90%) of the private school's admissions
16 are based on enrolling students whose gross family income is two
17 hundred fifty percent (250%) of the federal poverty threshold or
18 below;

19 5. The taxpayer shall retain all receipts of qualified expenses
20 as proof of the amounts paid each tax year the credit is claimed and
21 shall submit them to the Commission upon request;

22 6. If the credit exceeds the tax imposed by Section 2355 of
23 Title 68 of the Oklahoma Statutes, the excess amount shall be
24 refunded to the taxpayer; and

1 7. Credits claimed by a taxpayer pursuant to the provisions of
2 this section shall not be used to offset or pay the following:

- 3 a. delinquent tax liability,
- 4 b. accrued penalty or interest from the failure to file a
5 report or return,
- 6 c. accrued penalty or interest from the failure to pay a
7 state tax within the statutory period allowed for its
8 payment,
- 9 d. tax liability of the taxpayer from any prior tax year,
10 or
- 11 e. any debt, unpaid fine, final judgment, or claim filed
12 with the Commission by a qualified entity as defined
13 in Section 205.2 of Title 68 of the Oklahoma Statutes.

14 D. 1. a. For tax year 2024, the total amount of credits
15 authorized by paragraph 1 of subsection C of this
16 section shall not exceed One Hundred Fifty Million
17 Dollars (\$150,000,000.00).

- 18 b. For the period of January 1, 2025, through June 30,
19 2025, the total amount of credits authorized by
20 paragraph 1 of subsection C of this section shall not
21 exceed One Hundred Million Dollars (\$100,000,000.00).
22 The Commission shall not require a taxpayer who
23 received a credit pursuant to paragraph 1 of
24 subsection C of this section in tax year 2024 to

1 reapply for a credit payable during the period
2 described in this subparagraph. The Commission shall
3 base the credit amount payable for ~~the~~ spring 2025 on
4 the fall 2024 installment disbursement payment amount.

5 c. For fiscal year 2026 ~~and subsequent fiscal years~~, the
6 total amount of credits authorized by paragraph 1 of
7 subsection C of this section shall not exceed Two
8 Hundred Fifty Million Dollars (\$250,000,000.00).

9 d. For fiscal year 2027 and subsequent fiscal years, the
10 total amount of credits authorized by paragraph 1 of
11 subsection C of this section shall not exceed Two
12 Hundred Seventy-five Million Dollars
13 (\$275,000,000.00).

14 2. For tax year 2026 and subsequent tax years, the total amount
15 of credits authorized by paragraph 2 of subsection C of this section
16 shall not exceed Five Million Dollars (\$5,000,000.00). The Oklahoma
17 Tax Commission shall annually calculate and publish a percentage by
18 which the credits authorized by this section shall be reduced so the
19 total amount of credits used to offset tax does not exceed the
20 annual limit. The formula to be used for the percentage adjustment
21 shall be Five Million Dollars (\$5,000,000.00) divided by the amount
22 of credit claimed in the second preceding tax year. In the event
23 the total tax credits authorized by this section exceed the annual
24 limit in any tax year, the ~~Tax~~ Commission shall permit any excess

1 but shall factor such excess into the percentage adjustment formula
2 for subsequent tax years.

3 3. If a taxpayer, on behalf of an eligible student in the
4 program, chooses not to participate, is no longer eligible to
5 participate, or chooses to forgo participation in the program for
6 any reason, the credit authorized by paragraph 1 of subsection C of
7 this section but not used and not reallocated pursuant to paragraph
8 3 of subsection H of this section shall be added to the subsequent
9 fiscal year limitation as provided in paragraph 1 of this
10 subsection.

11 E. The Commission shall prescribe applications for the purposes
12 of claiming the credits authorized by the Oklahoma Parental Choice
13 Tax Credit Act and a deadline by which applications shall be
14 submitted. A taxpayer claiming the credit authorized by paragraph 1
15 of subsection C of this section shall submit an application
16 prescribed by the Commission to receive the credit based on the
17 enrollment verification form submitted pursuant to this subsection,
18 but in no event shall a payment exceed the amount of the credit
19 authorized by paragraph 1 of subsection C of this section. If an
20 eligible taxpayer provides documentation on the application that he
21 or she is a recipient of income-based government benefits including
22 the Supplemental Nutrition Assistance Program (SNAP), Temporary
23 Assistance for Needy Families (TANF), or the Oklahoma Medicaid
24 Program commonly known as SoonerCare, the eligible taxpayer shall

1 not be required to provide additional income verification. The
2 Department of Human Services and the Oklahoma Health Care Authority
3 shall, upon request by the Oklahoma Tax Commission, verify whether
4 an applicant receives income-based government benefits. The
5 taxpayer shall provide authorization for the Oklahoma Tax Commission
6 to disclose application data to the Department of Human Services
7 ~~and/or~~ or the Oklahoma Health Care Authority, and for the Department
8 of Human Services ~~and/or~~ or the Oklahoma Health Care Authority to
9 provide confirmation of benefits to the Oklahoma Tax Commission for
10 purposes of verifying that the taxpayer is a current recipient of
11 SNAP, TANF, or Oklahoma Medicaid Program benefits; provided, the
12 information shall not be used for any other purpose. A taxpayer
13 claiming the credit authorized by paragraph 1 of subsection C of
14 this section shall submit to the Commission an enrollment
15 verification form from the private school in which the eligible
16 student is enrolled or is expected to enroll with the tuition and
17 fees to be charged the taxpayer for the applicable school year. In
18 reviewing applications submitted by eligible taxpayers to determine
19 whether they qualify for a credit authorized by paragraph 1 of
20 subsection C of this section, the Commission shall give first
21 preference in making payments to taxpayers who qualify pursuant to
22 subparagraphs a and b of paragraph 1 of subsection C of this
23 section. The Commission shall give second preference in making
24 payments to taxpayers who qualify and have received the credit in

1 the prior year. For credits issued in the 2026-2027 school year and
2 subsequent school years, the application period shall be open March
3 15 through June 15 prior to the beginning of each school year. For
4 any eligible student whose parents or legal guardians have a
5 combined adjusted gross income that does not exceed One Hundred
6 Fifty Thousand Dollars (\$150,000.00) or qualified and received
7 credit in the prior year, applications shall be submitted to the
8 Commission within the first sixty (60) days of the opening of the
9 application period to receive priority consideration. For students
10 enrolled in the full school year, the full credit amount authorized
11 for the school year shall be paid no later than August 30.

12 F. Taxpayers claiming the credit shall:

13 1. Only claim the credit for qualified expenses as defined in
14 paragraphs 7 and 8 of subsection A of this section to provide an
15 education for an eligible student;

16 2. Ensure no other person is claiming a credit for the eligible
17 student;

18 3. Not claim the credit for an eligible student who enrolls as
19 a full-time student in a public school district, public charter
20 school, public virtual charter school, or magnet school;

21 4. Comply with rules and requirements established by the
22 Commission for administration of the Oklahoma Parental Choice Tax
23 Credit Program; and
24

1 5. Notify the Commission not later than thirty (30) days after
2 the date on which the eligible student:

- 3 a. enrolls in a public school, including an open-
4 enrollment charter school,
- 5 b. enrolls in a nonaccredited private school,
- 6 c. graduates from high school, or
- 7 d. is no longer utilizing credits authorized by paragraph
8 1 of subsection C of this section for any reason.

9 G. Eligible students may accept a scholarship from the Lindsey
10 Nicole Henry Scholarships for Students with Disabilities Program
11 created by Section 13-101.2 of this title while participating in the
12 Oklahoma Parental Choice Tax Credit Program.

13 H. 1. The Commission shall have the authority to conduct an
14 audit or contract for the auditing of receipts for qualified
15 expenses submitted pursuant to paragraph 2 of subsection C of this
16 section.

17 2. The Commission shall be authorized to recapture the credits
18 otherwise authorized by the provisions of the Oklahoma Parental
19 Choice Tax Credit Act on a prorated basis if an audit conducted
20 pursuant to this subsection shows that the credit was claimed for
21 expenditures that were not qualified expenses or it finds that the
22 taxpayer has claimed an eligible student who no longer attends a
23 private school or has enrolled in a public school in the state.

1 3. The Commission shall be authorized to reallocate credits for
2 the current application year to the next eligible taxpayer in line
3 when a taxpayer, on behalf of an eligible student in the program,
4 chooses not to participate, is no longer eligible to participate, or
5 chooses to forgo participation in the program for any reason no
6 later than September 1 following the opening of the application
7 period of each year.

8 4. The Commission shall provide notification of approval status
9 to applicants within thirty (30) days of closure of the application
10 window. Notice to applicants with an eligible student, whose
11 parents or legal guardians have a combined adjusted gross income of
12 more than One Hundred Fifty Thousand Dollars (\$150,000.00), shall be
13 sent within thirty (30) days or no later than thirty (30) days after
14 the last day of the priority consideration period.

15 I. In the event of a failure of revenue pursuant to the
16 Oklahoma State Finance Act, the tax credits otherwise authorized in
17 subsection C of this section shall be reduced proportionately to the
18 reduction in the amount of money appropriated to the State Board of
19 Education for the financial support of public schools for the fiscal
20 year in which the failure of revenue occurs.

21 J. The Commission shall make available on its website to be
22 updated monthly:

23 1. The total amount of credits claimed each year pursuant to
24 paragraphs 1 through 4 of subsection C of this section;

1 2. The amount of credits claimed and number of students awarded
2 each fiscal year pursuant to paragraph 1 of subsection C of this
3 section disaggregated by income categories;

4 3. The total amount of credits claimed and number of students
5 awarded who attended a public school in the semester immediately
6 preceding the school year for which the application is made each
7 year; and

8 4. The total number of applications denied and total amount of
9 credits the denied applications represent for each fiscal year.

10 K. Credits received pursuant to the Oklahoma Parental Choice
11 Tax Credit Act shall not constitute taxable income to a taxpayer who
12 received the credit on behalf of an eligible student.

13 L. No later than June 15 of each year, each participating
14 private school shall electronically provide information to confirm
15 student enrollment and tuition information for the fall and spring
16 semesters of the preceding school year and any other information
17 requested by the Oklahoma Tax Commission. Failure to provide this
18 information may result in denial of private school participation in
19 subsequent school years.

20 M. An eligible and participating private school as of April 15,
21 2025, shall have until March 1, 2027, to meet the accreditation
22 requirements of this section.

23 SECTION 2. It being immediately necessary for the preservation
24 of the public peace, health or safety, an emergency is hereby

1 declared to exist, by reason whereof this act shall take effect and
2 be in full force from and after its passage and approval.

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