

**BILL SUMMARY**  
1<sup>st</sup> Session of the 60<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB1848</b>
<b>Version:</b>	<b>Introduced</b>
<b>Request Number:</b>	<b>10259</b>
<b>Author:</b>	<b>Rep. Schreiber</b>
<b>Date:</b>	<b>2/13/2025</b>
<b>Impact:</b>	<b>FY26: -\$24,000 in income tax collections</b>
	<b>FY27: -\$13.96 million in income tax collections</b>

**Research Analysis**

HB1848, as introduced, establishes several income tax credits to support employer-sponsored childcare subsidies, employer-sponsored childcare facilities and childcare workers. The measure provides a tax credit to:

- an employer that provides a childcare subsidy to employees or operates a childcare facility for its employees equal to 30 percent of the subsidy amount or operating cost, limited to \$30,000 per employer; and
- a qualified childcare facility worker equal to \$1000 per tax year.

The credits may be claimed for tax year 2026 through 2030 and is limited \$5 million each year for the employer credit and a \$14 million each year for the childcare worker credit.

Prepared By: Quyen Do

**Fiscal Analysis**

As introduced, HB1848 proposes to create a nonrefundable income tax credit for an employer's childcare expenses, and a refundable tax credit for qualified childcare workers.

The Oklahoma Tax Commission has provided the following analysis:

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**ESTIMATED REVENUE IMPACT:**

**FY26: An estimated decrease of \$24,000 in income tax collections.**

**FY27: An estimated decrease of \$13.96 million in income tax collections.**

**ANALYSIS:** HB 1848 proposes two new income tax credits: a nonrefundable tax credit for an employer's childcare expenses<sup>i</sup> and a refundable tax credit for a qualified childcare worker, effective for tax years 2026 – 2030. For the employer credit, an estimated decrease in corporate income tax revenue of \$24,000 for FY26 and \$60,000 for FY27. For the qualified childcare worker credit, an estimated decrease in income tax collections of \$13.9 million in FY27 when the 2026 returns are filed.

**Employer Credit.** An employer may claim a credit for the following:

- 30% of the amount spent to assist an employee with direct childcare expenses.
- 30% of the amount spent to operate or contract for the operation of a childcare facility primarily serving the dependents of employees, excluding any payments made by the parent or guardian, such as tuition or fees; or
- 30% of the amount spent to contract with a childcare facility for employees'.

The annual credit is capped at \$30,000 per employer, with any unused credit eligible for carryforward for up to five subsequent tax years. Additionally, the total credits claimed statewide cannot exceed \$5 million per fiscal year.

In its February 2022 Report to Congressional Committees<sup>ii</sup>, the U.S. Government Accountability Office (GAO) stated that in 2018 (the most recent year available), 143 –

166 corporate income tax returns reported an estimated \$144.7 - \$154.8 million in qualified childcare facility expenditures on Form 8882<sup>iii</sup>. According to the U.S. Census Bureau's QuickFacts for 2021<sup>iv</sup>, Oklahoma businesses represent approximately 1.2% of all U.S. businesses.

Based on this information, it appears that two Oklahoma businesses may have claimed the existing federal Employer-Provided Childcare Credit<sup>i</sup> for tax year 2018. Assuming similar activity for tax year 2026, an estimated decrease in corporate income tax revenue of \$60,000 is expected. Changes in withholding or estimated tax payments are anticipated; therefore, an estimated revenue decrease of \$24,000 in FY26 and \$60,000 in FY27 when the 2026 returns are filed.

**Qualified Childcare Worker Credit.** The bill also proposes a \$1,000 refundable tax credit for a qualified childcare worker, with an annual cap of \$14 million per fiscal year. Under the proposal, a "qualified childcare worker" is defined as an individual who:

- Is employed for at least eight consecutive months during the tax year for which the credit is claimed,
- Provides classroom services at a licensed childcare facility, and
- Is enrolled in Oklahoma's Professional Development Ladder (PDL)<sup>v</sup> and has earned a minimum of twelve (12) credit hours.

The Center for Early Childhood Professional Development reported that 21,385 PDL certificates were issued for FY23<sup>vi</sup>. With 65% of children enrolled in licensed childcare facilities, it is assumed that 65% of childcare workers are also employed at licensed facilities. Applying this assumption to the childcare worker credit, the estimated revenue decrease in individual income tax revenue is \$13.9 million for tax year 2026. No changes in withholding or estimated tax payments are anticipated; therefore, an estimated revenue decrease of \$13.9 million in income tax collections is expected in FY27 when the 2026 returns are filed.

#### **ADMINISTRATIVE CONCERNS:**

It is unclear how the Oklahoma Tax Commission should calculate the annual credit cap. Also, calculating a cap for an income tax credit on a fiscal year basis presents a challenge as the credits are reported on a tax year basis.

Prepared By: Zach Penrod, House Fiscal Staff

#### **Other Considerations**

None.