

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

SENATE BILL 1388

By: Nice

AS INTRODUCED

An Act relating to income tax; amending 68 O.S. 2021, Section 2357, which relates to credits against tax; limiting tax credit allowed for certain federal tax credit claimed to certain tax years; updating statutory language; providing credit for certain child care expenses; prescribing credit amount; requiring the prorating of credit; making credit refundable; providing credit for certain qualifying children to certain taxpayers; prescribing credit amount; requiring the inclusion of spousal income for certain filing status; requiring the prorating of credit; making credit refundable; providing for codification; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2357, is amended to read as follows:

Section 2357. A. The withheld taxes and estimated taxes paid shall be allowed as credits as provided by law.

B. 1. There shall be allowed as a credit against the tax imposed by Section 2355 of this title the amount of tax paid another state by a resident individual, as defined in paragraph 4 of Section 2353 of this title, upon income received as compensation for

1 personal services in such other state; provided, such credit shall  
2 not be allowed with respect to any income specified in Section 114  
3 of Title 4 of the United States Code, 4 U.S.C., Section 114, upon  
4 which a state is prohibited from imposing an income tax. The credit  
5 shall not exceed such proportion of the tax payable under Section  
6 2355 of this title as the compensation for personal services subject  
7 to tax in the other state and also taxable under Section 2355 of  
8 this title bears to the Oklahoma adjusted gross income as defined in  
9 paragraph 13 of Section 2353 of this title.

10 2. For tax years ~~beginning after December 31, 2007~~ 2008 through  
11 2026, there shall be allowed to a resident individual or part-year  
12 resident individual or nonresident individual member of the Armed  
13 Forces of the United States as a credit against the tax imposed by  
14 Section 2355 of this title twenty percent (20%) of the credit for  
15 child care expenses allowed under the Internal Revenue Code of ~~the~~  
16 ~~United States~~ 1986, as amended, or five percent (5%) of the child  
17 tax credit allowed under the Internal Revenue Code of 1986, as  
18 amended, whichever amount is greater. Neither credit authorized by  
19 this paragraph shall exceed the tax imposed by Section 2355 of this  
20 title. The maximum child care credit allowable on the Oklahoma  
21 income tax return shall be prorated on the ratio that Oklahoma  
22 adjusted gross income bears to the federal adjusted gross income.  
23 The credit authorized by this paragraph shall not be claimed by any  
24 taxpayer if the federal adjusted gross income reflected on the

1 Oklahoma return for the taxpayer is in excess of One Hundred  
2 Thousand Dollars (\$100,000.00).

3 3. For tax year 2027 and subsequent tax years, there shall be  
4 allowed to a resident individual or part-year resident individual or  
5 nonresident individual member of the Armed Forces of the United  
6 States as a credit against the tax imposed by Section 2355 of this  
7 title twenty percent (20%) of the credit for child care expenses  
8 allowed under 26 U.S.C., Section 21. The maximum child care credit  
9 allowable on the Oklahoma income tax return shall be prorated on the  
10 ratio that Oklahoma adjusted gross income bears to the federal  
11 adjusted gross income. If the credit allowed pursuant to this  
12 paragraph exceeds the tax imposed by Section 2355 of this title, the  
13 excess amount shall be refunded to the taxpayer.

14 SECTION 2. NEW LAW A new section of law to be codified  
15 in the Oklahoma Statutes as Section 2357.410 of Title 68, unless  
16 there is created a duplication in numbering, reads as follows:

17 A. For tax year 2027 and subsequent tax years, there shall be  
18 allowed against the tax imposed by Section 2355 of Title 68 of the  
19 Oklahoma Statutes, a credit for a resident individual or part-year  
20 resident individual or nonresident individual member of the Armed  
21 Forces of the United States who has a qualifying child as described  
22 under 26 U.S.C., Section 152(c) who has not attained the age of  
23 nineteen (19) years during the tax year.

1 B. The credit allowed shall be equal to Five Hundred Dollars  
2 (\$500.00) per child for individual taxpayers with an adjusted gross  
3 income of Seventy Thousand Dollars (\$70,000.00) or less. For every  
4 additional Ten Dollars (\$10.00) of adjusted gross income above  
5 Seventy Thousand Dollars (\$70,000.00), the credit shall be reduced  
6 by fifteen cents (\$0.15). Taxpayers with an adjusted gross income  
7 above One Hundred Thousand Dollars (\$100,000.00) shall not be  
8 eligible for the credit authorized by this section.

9 C. For taxpayers filing married filing separately, the adjusted  
10 gross income of the taxpayer and the taxpayer's spouse shall be  
11 included for the purposes of the income thresholds and the  
12 calculation of the credit amount, as provided in subsection B of  
13 this section.

14 D. The maximum credit allowable, as provided in subsection B of  
15 this section, shall be prorated on the ratio that Oklahoma adjusted  
16 gross income bears to the federal adjusted gross income of the  
17 taxpayer.

18 E. If the credit exceeds the tax imposed by Section 2355 of  
19 Title 68 of the Oklahoma Statutes, the excess amount shall be  
20 refunded to the taxpayer.

21 SECTION 3. This act shall become effective November 1, 2026.

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