

1 STATE OF OKLAHOMA

2 2nd Session of the 60th Legislature (2026)

3 HOUSE BILL 3705

By: Caldwell (Chad)

7 AS INTRODUCED

8 An Act relating to schools; amending Section 2,
9 Chapter 278, O.S.L. 2023, as last amended by Section
10 2, Chapter 295, O.S.L. 2025 (70 O.S. Supp. 2025,
11 Section 28-101), which relates to the Parental Choice
12 Tax Credit Program; modifying amount of credits
13 authorized for 2027 fiscal year and subsequent fiscal
14 years; providing an effective date; and declaring an
15 emergency.

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

17 SECTION 1. AMENDATORY Section 2, Chapter 278, O.S.L.

18 2023, as last amended by Section 2, Chapter 295, O.S.L. 2025 (70
19 O.S. Supp. 2025, Section 28-101), is amended to read as follows:

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

22 1. "Accrediting association" means a recognized legal entity
23 that meets the accreditation requirements set by the State Board of
24 Education, another accrediting association approved by the State
Board of Education, or a legal entity that accredits education

1 organizations in multiple states, whose purpose is to verify that an
2 education program meets or exceeds predetermined criteria, and
3 monitor the education organization during the time it is accredited
4 by completing regular reevaluations and on-site inspections of the
5 education program;

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

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

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

10 5. "Education service provider" means a person, business,
11 public school district, public charter school, magnet school, or
12 organization that provides educational goods and/or services to
13 eligible students in this state;

14 6. "Eligible student" means a resident of this state who is
15 eligible to enroll in a public school in this state. Eligible
16 student shall include a student who is enrolled in and attends or is
17 expected to enroll in a private school in this state accredited by
18 the State Board of Education or another accrediting association or a
19 student who is educated pursuant to the other means of education
20 exception provided for in subsection A of Section 10-105 of this
21 title;

22 7. "Qualified expense" for the purpose of claiming the credit
23 authorized by paragraph 1 of subsection C of this section means
24 tuition and fees at a private school in this state accredited by the

1 State Board of Education or another accrediting association. Such
2 private school shall comply with the provisions of subsection L of
3 this section. Provided, the amount of tuition and fees considered a
4 qualified expense pursuant to this paragraph shall not include
5 tuition and fees paid with any scholarship or tuition and fees
6 discounted or otherwise reduced by the school;

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

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

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

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

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

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

19 a. Seven Thousand Five Hundred Dollars (\$7,500.00) or the
20 amount of tuition and fees for the private school,
21 whichever is less, if the combined adjusted gross
22 income of the parents or legal guardians of the
23 eligible student during the second preceding tax year
24

1 does not exceed Seventy-five Thousand Dollars
2 (\$75,000.00),
3 b. Seven Thousand Dollars (\$7,000.00) or the amount of
4 tuition and fees for the private school, whichever is
5 less, if the combined adjusted gross income of the
6 parents or legal guardians of the eligible student
7 during the second preceding tax year is more than
8 Seventy-five Thousand Dollars (\$75,000.00) but does
9 not exceed One Hundred Fifty Thousand Dollars
10 (\$150,000.00),
11 c. Six Thousand Five Hundred Dollars (\$6,500.00) or the
12 amount of tuition and fees for the private school,
13 whichever is less, if the combined adjusted gross
14 income of the parents or legal guardians of the
15 eligible student during the second preceding tax year
16 is more than One Hundred Fifty Thousand Dollars
17 (\$150,000.00) but does not exceed Two Hundred Twenty-
18 five Thousand Dollars (\$225,000.00),
19 d. Six Thousand Dollars (\$6,000.00) or the amount of
20 tuition and fees for the private school, whichever is
21 less, if the combined adjusted gross income of the
22 parents or legal guardians of the eligible student
23 during the second preceding tax year is more than Two
24 Hundred Twenty-five Thousand Dollars (\$225,000.00) but

1 does not exceed Two Hundred Fifty Thousand Dollars
2 (\$250,000.00), or

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

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

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

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

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

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

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

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

12 D. 1. a. For tax year 2024, the total amount of credits

13 authorized by paragraph 1 of subsection C of this

14 section shall not exceed One Hundred Fifty Million

15 Dollars (\$150,000,000.00).

16 b. For the period of January 1, 2025, through June 30,

17 2025, the total amount of credits authorized by

18 paragraph 1 of subsection C of this section shall not

19 exceed One Hundred Million Dollars (\$100,000,000.00).

20 The Commission shall not require a taxpayer who

21 received a credit pursuant to paragraph 1 of

22 subsection C of this section in tax year 2024 to

23 reapply for a credit payable during the period

24 described in this subparagraph. The Commission shall

base the credit amount payable for the spring 2025 on the fall 2024 installment disbursement payment amount.

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

d. For fiscal year 2027 and subsequent fiscal years, the total amount of credits authorized by paragraph 1 of subsection C of this section shall not exceed Three Hundred Million Dollars (\$300,000,000.00) unless otherwise provided by this subparagraph.

(1) If in any fiscal year, the total amount of credits claimed and approved equals or exceeds ninety percent (90%) of the annual limitation established by this subparagraph, the limitation for the succeeding fiscal year shall be increased by Fifty Million Dollars (\$50,000,000.00).

(2) For each subsequent fiscal year thereafter, if
the total amount of credits claimed and approved
equals or exceeds ninety percent (90%) of the
applicable limitation for the immediately
preceding fiscal year, the limitation shall be
increased by Fifty Million Dollars
(\$50,000,000.00).

1 2. For tax year 2026 and subsequent tax years, the total amount
2 of credits authorized by paragraph 2 of subsection C of this section
3 shall not exceed Five Million Dollars (\$5,000,000.00). The Oklahoma
4 Tax Commission shall annually calculate and publish a percentage by
5 which the credits authorized by this section shall be reduced so the
6 total amount of credits used to offset tax does not exceed the
7 annual limit. The formula to be used for the percentage adjustment
8 shall be Five Million Dollars (\$5,000,000.00) divided by the amount
9 of credit claimed in the second preceding tax year. In the event
10 the total tax credits authorized by this section exceed the annual
11 limit in any tax year, the Tax Commission shall permit any excess
12 but shall factor such excess into the percentage adjustment formula
13 for subsequent tax years.

14 3. If a taxpayer, on behalf of an eligible student in the
15 program, chooses not to participate, is no longer eligible to
16 participate, or chooses to forgo participation in the program for
17 any reason, the credit authorized by paragraph 1 of subsection C of
18 this section but not used and not reallocated pursuant to paragraph
19 3 of subsection H of this section shall be added to the subsequent
20 fiscal year limitation as provided in paragraph 1 of this
21 subsection.

22 E. The Commission shall prescribe applications for the purposes
23 of claiming the credits authorized by the Oklahoma Parental Choice
24 Tax Credit Act and a deadline by which applications shall be

1 submitted. A taxpayer claiming the credit authorized by paragraph 1
2 of subsection C of this section shall submit an application
3 prescribed by the Commission to receive the credit based on the
4 enrollment verification form submitted pursuant to this subsection,
5 but in no event shall a payment exceed the amount of the credit
6 authorized by paragraph 1 of subsection C of this section. If an
7 eligible taxpayer provides documentation on the application that he
8 or she is a recipient of income-based government benefits including
9 the Supplemental Nutrition Assistance Program (SNAP), Temporary
10 Assistance for Needy Families (TANF), or the Oklahoma Medicaid
11 Program commonly known as SoonerCare, the eligible taxpayer shall
12 not be required to provide additional income verification. The
13 Department of Human Services and the Oklahoma Health Care Authority
14 shall, upon request by the Oklahoma Tax Commission, verify whether
15 an applicant receives income-based government benefits. The
16 taxpayer shall provide authorization for the Oklahoma Tax Commission
17 to disclose application data to the Department of Human Services
18 and/or the Oklahoma Health Care Authority, and for the Department of
19 Human Services and/or the Oklahoma Health Care Authority to provide
20 confirmation of benefits to the Oklahoma Tax Commission for purposes
21 of verifying that the taxpayer is a current recipient of SNAP, TANF,
22 or Oklahoma Medicaid Program benefits; provided, the information
23 shall not be used for any other purpose. A taxpayer claiming the
24 credit authorized by paragraph 1 of subsection C of this section

1 shall submit to the Commission an enrollment verification form from
2 the private school in which the eligible student is enrolled or is
3 expected to enroll with the tuition and fees to be charged the
4 taxpayer for the applicable school year. In reviewing applications
5 submitted by eligible taxpayers to determine whether they qualify
6 for a credit authorized by paragraph 1 of subsection C of this
7 section, the Commission shall give first preference in making
8 payments to taxpayers who qualify pursuant to subparagraphs a and b
9 of paragraph 1 of subsection C of this section. The Commission
10 shall give second preference in making payments to taxpayers who
11 qualify and have received the credit in the prior year. For credits
12 issued in the 2026-2027 school year and subsequent school years, the
13 application period shall be open March 15 through June 15 prior to
14 the beginning of each school year. For any eligible student whose
15 parents or legal guardians have a combined adjusted gross income
16 that does not exceed One Hundred Fifty Thousand Dollars
17 (\$150,000.00) or qualified and received credit in the prior year,
18 applications shall be submitted to the Commission within the first
19 sixty (60) days of the opening of the application period to receive
20 priority consideration. For students enrolled in the full school
21 year, the full credit amount authorized for the school year shall be
22 paid no later than August 30.

23 F. Taxpayers claiming the credit shall:
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1 1. Only claim the credit for qualified expenses as defined in
2 paragraphs 7 and 8 of subsection A of this section to provide an
3 education for an eligible student;

4 2. Ensure no other person is claiming a credit for the eligible
5 student;

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

9 4. Comply with rules and requirements established by the
10 Commission for administration of the Oklahoma Parental Choice Tax
11 Credit Program; and

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

- 14 a. enrolls in a public school, including an open-
15 enrollment charter school,
- 16 b. enrolls in a nonaccredited private school,
- 17 c. graduates from high school, or
- 18 d. is no longer utilizing credits authorized by paragraph
19 1 of subsection C of this section for any reason.

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

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

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

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

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

3 I. In the event of a failure of revenue pursuant to the
4 Oklahoma State Finance Act, the tax credits otherwise authorized in
5 subsection C of this section shall be reduced proportionately to the
6 reduction in the amount of money appropriated to the State Board of
7 Education for the financial support of public schools for the fiscal
8 year in which the failure of revenue occurs.

9 J. The Commission shall make available on its website to be
10 updated monthly:

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

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

16 3. The total amount of credits claimed and number of students
17 awarded who attended a public school in the semester immediately
18 preceding the school year for which the application is made each
19 year; and

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

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

1 L. No later than June 15 of each year, each participating
2 private school shall electronically provide information to confirm
3 student enrollment and tuition information for the fall and spring
4 semesters of the preceding school year and any other information
5 requested by the Oklahoma Tax Commission. Failure to provide this
6 information may result in denial of private school participation in
7 subsequent school years.

8 M. An eligible and participating private school as of April 15,
9 2025, shall have until March 1, 2027, to meet the accreditation
10 requirements of this section.

11 SECTION 2. This act shall become effective July 1, 2026.

12 SECTION 3. It being immediately necessary for the preservation
13 of the public peace, health or safety, an emergency is hereby
14 declared to exist, by reason whereof this act shall take effect and
15 be in full force from and after its passage and approval.

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