

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

SENATE BILL 1389

By: Daniels

AS INTRODUCED

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; authorizing annual limit increase of the total credit amount under certain circumstance; requiring Oklahoma Tax Commission to publish certain information; updating statutory language; and providing an effective date.

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. "Accrediting association" means a recognized legal entity that meets the accreditation requirements set by the State Board of Education, another accrediting association approved by the State Board of Education, or a legal entity that accredits education organizations in multiple states, whose purpose is to verify that an

1 education program meets or exceeds predetermined criteria, and
2 monitor the education organization during the time it is accredited
3 by completing regular reevaluations and on-site inspections of the
4 education program;

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

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

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

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

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

21 7. "Qualified expense" for the purpose of claiming the credit
22 authorized by paragraph 1 of subsection C of this section means
23 tuition and fees at a private school in this state accredited by the
24 State Board of Education or another accrediting association. Such

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

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

- 9 a. tuition and fees for nonpublic learning programs,
10 online or in person,
- 11 b. academic tutoring services provided by an individual
12 or a private academic tutoring facility,
- 13 c. textbooks, curriculum, or other instructional
14 materials including, but not limited to, supplemental
15 materials or associated online instruction required by
16 an education service provider, and
- 17 d. fees for nationally standardized assessments
18 including, but not limited to, assessments used to
19 determine college admission and advanced placement
20 examinations as well as tuition and fees for tutoring
21 or preparatory courses for the assessments; and

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

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

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

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

16 a. Seven Thousand Five Hundred Dollars (\$7,500.00) or the
17 amount of tuition and fees for the private school,
18 whichever is less, if the combined adjusted gross
19 income of the parents or legal guardians of the
20 eligible student during the second preceding tax year
21 does not exceed Seventy-five Thousand Dollars
22 (\$75,000.00),

23 b. Seven Thousand Dollars (\$7,000.00) or the amount of
24 tuition and fees for the private school, whichever is

1 less, if the combined adjusted gross income of the
2 parents or legal guardians of the eligible student
3 during the second preceding tax year is more than
4 Seventy-five Thousand Dollars (\$75,000.00) but does
5 not exceed One Hundred Fifty Thousand Dollars
6 (\$150,000.00),

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

15 d. Six Thousand Dollars (\$6,000.00) or the amount of
16 tuition and fees for the private school, whichever is
17 less, if the combined adjusted gross income of the
18 parents or legal guardians of the eligible student
19 during the second preceding tax year is more than Two
20 Hundred Twenty-five Thousand Dollars (\$225,000.00) but
21 does not exceed Two Hundred Fifty Thousand Dollars
22 (\$250,000.00), or

23 e. Five Thousand Dollars (\$5,000.00) or the amount of
24 tuition and fees for the private school, whichever is

1 less, if the combined adjusted gross income of the
2 parents or legal guardians of the eligible student
3 during the second preceding tax year is more than Two
4 Hundred Fifty Thousand Dollars (\$250,000.00);

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

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

20 4. If the eligible student attends a private school in this
21 state, accredited by the State Board of Education or another
22 accrediting association, that primarily serves financially
23 disadvantaged students, the credit amount shall be the maximum
24 credit amount authorized by paragraph 1 of this subsection or the

1 amount of the cost to educate the eligible student at the private
2 school, whichever is less. The cost to educate the eligible student
3 shall be equal to the average cost to educate all students attending
4 the private school, which shall be calculated by dividing the
5 private school's total expenditures in the previous year by the
6 total enrollment in the previous school year. A private school
7 shall be deemed to be primarily serving financially disadvantaged
8 students if ninety percent (90%) of the private school's admissions
9 are based on enrolling students whose gross family income is two
10 hundred fifty percent (250%) of the federal poverty threshold or
11 below;

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

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

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

- 20 a. delinquent tax liability,
- 21 b. accrued penalty or interest from the failure to file a
22 report or return,

- c. accrued penalty or interest from the failure to pay a state tax within the statutory period allowed for its payment,
- d. tax liability of the taxpayer from any prior tax year, or
- e. any debt, unpaid fine, final judgment, or claim filed with the Commission by a qualified entity as defined in Section 205.2 of Title 68 of the Oklahoma Statutes.

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

- b. For the period of January 1, 2025, through June 30, 2025, the total amount of credits authorized by paragraph 1 of subsection C of this section shall not exceed One Hundred Million Dollars (\$100,000,000.00). The Commission shall not require a taxpayer who received a credit pursuant to paragraph 1 of subsection C of this section in tax year 2024 to reapply for a credit payable during the period described in this subparagraph. The Commission shall base the credit amount payable for ~~the~~ the spring 2025 on the fall 2024 installment disbursement payment amount.

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

5 d. For fiscal year 2027 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 Provided, in any fiscal year in which the amount of
10 credits authorized by paragraph 1 of subsection C of
11 this section equals or exceeds ninety percent (90%) of
12 the limitation provided in this subparagraph, the
13 limit shall be increased by twenty percent (20%) for
14 the subsequent fiscal years. The Commission shall
15 publish on its website the total amount of credits
16 allowed pursuant to this paragraph for each fiscal
17 year.

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

1 shall be Five Million Dollars (\$5,000,000.00) divided by the amount
2 of credit claimed in the second preceding tax year. In the event
3 the total tax credits authorized by this section exceed the annual
4 limit in any tax year, the ~~Tax~~ Commission shall permit any excess
5 but shall factor such excess into the percentage adjustment formula
6 for subsequent tax years.

7 3. If a taxpayer, on behalf of an eligible student in the
8 program, chooses not to participate, is no longer eligible to
9 participate, or chooses to forgo participation in the program for
10 any reason, the credit authorized by paragraph 1 of subsection C of
11 this section but not used and not reallocated pursuant to paragraph
12 3 of subsection H of this section shall be added to the subsequent
13 fiscal year limitation as provided in paragraph 1 of this
14 subsection.

15 E. The Commission shall prescribe applications for the purposes
16 of claiming the credits authorized by the Oklahoma Parental Choice
17 Tax Credit Act and a deadline by which applications shall be
18 submitted. A taxpayer claiming the credit authorized by paragraph 1
19 of subsection C of this section shall submit an application
20 prescribed by the Commission to receive the credit based on the
21 enrollment verification form submitted pursuant to this subsection,
22 but in no event shall a payment exceed the amount of the credit
23 authorized by paragraph 1 of subsection C of this section. If an
24 eligible taxpayer provides documentation on the application that he

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

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

16 F. Taxpayers claiming the credit shall:

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

20 2. Ensure no other person is claiming a credit for the eligible
21 student;

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

1 4. Comply with rules and requirements established by the
2 Commission for administration of the Oklahoma Parental Choice Tax
3 Credit Program; and

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

- 6 a. enrolls in a public school, including an open-
7 enrollment charter school,
- 8 b. enrolls in a nonaccredited private school,
- 9 c. graduates from high school, or
- 10 d. is no longer utilizing credits authorized by paragraph
11 1 of subsection C of this section for any reason.

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

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

20 2. The Commission shall be authorized to recapture the credits
21 otherwise authorized by the provisions of the Oklahoma Parental
22 Choice Tax Credit Act on a prorated basis if an audit conducted
23 pursuant to this subsection shows that the credit was claimed for
24 expenditures that were not qualified expenses or it finds that the
25

1 taxpayer has claimed an eligible student who no longer attends a
2 private school or has enrolled in a public school in the state.

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

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

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

23 J. The Commission shall make available on its website to be
24 updated monthly:

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

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

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

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

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

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

22 M. An eligible and participating private school as of April 15,
23 2025, shall have until March 1, 2027, to meet the accreditation
24 requirements of this section.

SECTION 2. This act shall become effective November 1, 2026.

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