

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: February 10, 2022

BILL NUMBER: SB 1849 **STATUS AND DATE OF BILL:** Introduced 1/21/22

AUTHORS: House NA Senate Pugh

TAX TYPE (S): Income Tax **SUBJECT:** Credit

PROPOSAL: New Law

SB 1849 proposes to enact new income tax credits for individuals who claim child and dependent care expenses on IRS Form 2441 and for entities that claim the federal credit for employer-provided child care facilities and services on IRS Form 8882. Effective for tax year 2023 and subsequent tax years, an individual may claim a refundable credit equal to the amount of the federal credit the individual receives from their claim on IRS Form 2441. In addition, an entity may claim a credit equal to 50% of the amount of the federal credit the entity receives from their claim on IRS Form 8882. The entity credit is nonrefundable but may be carried forward for three subsequent tax years.

EFFECTIVE DATE: November 1, 2022

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: None.

FY 24: Estimated decrease in income tax revenue of \$31.2 million.¹

Feb. 12, 2022
DATE

Rick Miller
DIVISION DIRECTOR

bdf

2/12/2022
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/14/2022
DATE

[Signature]
FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

¹ An estimated decrease in income tax revenues of approximately \$31.2 million is expected for credits claimed by individuals for child and dependent care expenses. In addition, an unknown decrease in income tax revenues is expected for credits claimed by entities for employer-provided childcare facilities and services.

ATTACHMENT TO REVENUE IMPACT – SB 1849 [Introduced] Prepared 2/10/2022

SB 1849 proposes to enact new income tax credits for individuals who claim child and dependent care expenses on IRS Form 2441² and for entities that claim the federal credit for employer-provided child care facilities and services on IRS Form 8882.³ Effective for tax year 2023 and subsequent tax years, an individual may claim a refundable credit equal to the amount of the federal credit the individual receives from their claim on IRS Form 2441. In addition, an entity may claim a credit equal to 50% of the amount of the federal credit the entity receives from their claim on IRS Form 8882. The entity credit is nonrefundable but may be carried forward for three subsequent tax years.

It is assumed that the existing Oklahoma child care/child tax credit may be claimed in addition to the proposed credit. Under 68 O.S. § 2357, an income tax credit is allowed for child care expenses in the amount of 20% of the federal child care credit. Taxpayers may elect to take the greater of the child care credit or 5% of the federal child tax credit authorized under the Internal Revenue Code. In both cases, federal adjusted income may not exceed \$100,000.

IRS Tax Statistics for tax year 2019 indicate child and dependent care credits claimed by Oklahoma individuals totaled approximately \$31.2 million.⁴ Assuming similar activity for tax year 2023, an estimated decrease of approximately \$31.2 million in income tax revenue is expected for FY 24 for credits claimed by individuals for child and dependent care expenses.

Data is not available to determine the amount of the federal credit received by entities from their claims on IRS Form 8882. Due to a lack of data, an unknown decrease in income tax revenue is expected for FY 24 for credits claimed by entities for employer-provided child care facilities and services.

With consideration to the proposed credits, the total revenue impact of the proposal is an estimated decrease in income tax revenues in excess of \$31.2 million. The decrease is expected to occur in FY 2024 when the 2023 tax returns are filed.

² IRS Form 2441 (Child and Dependent Care Expenses) is used to by persons electing to take the child and dependent care expenses to determine the amount of the credit.

³ Employers use Form 8882 (Credit for Employer-Provided Childcare Facilities and Services) to claim the credit for qualified childcare facility and resource and referral expenditures.

⁴ See Tax Year 2019: Historic Table 2 for Oklahoma at <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>.