

1 STATE OF OKLAHOMA

2 1st Session of the 60th Legislature (2025)

3 COMMITTEE SUBSTITUTE
4 FOR

5 SENATE BILL NO. 684

6 By: Paxton

7 COMMITTEE SUBSTITUTE

8 An Act relating to income tax credit; amending
9 Section 2, Chapter 278, O.S.L. 2023, as amended by
10 Section 3, Chapter 277, O.S.L. 2024 (70 O.S. Supp.
11 2024, Section 28-101), which relates to the Oklahoma
12 Parental Choice Tax Credit Act; defining term;
13 modifying definition; modifying tax years for which
14 certain annual credit limit is enforced; prescribing
15 procedure for enforcement of annual limit; increasing
16 the annual credit limitation by the amount of certain
17 unused credit; requiring the Department of Human
18 Services and the Oklahoma Health Care Authority to
19 verify certain claims by applicants upon request;
20 modifying application period for certain school
21 years; requiring the payment of full credit amount by
22 certain date; modifying preference for taxpayers who
23 received credit in prior years; stipulating that
24 authorization to reallocate credit is before certain
date; requiring participating private schools to
provide certain information to the Oklahoma Tax
Commission; updating statutory references; updating
statutory language; providing an effective date; and
declaring an emergency.

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

SECTION 1. AMENDATORY Section 2, Chapter 278, O.S.L.
2023, as amended by Section 3, Chapter 277, O.S.L. 2024 (70 O.S.
Supp. 2024, Section 28-101), is amended to read as follows:

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

3 1. "Accrediting association" means a legal entity, or that part
4 of a legal entity, that meets the accreditation requirements set by
5 the State Board of Education or another accrediting association
6 approved by the State Board of Education;

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

8 ~~2.~~ 3. "Curriculum" means a complete course of study for a
9 particular content area or grade level;

10 ~~3.~~ 4. "Department" means the State Department of Education;

11 ~~4.~~ 5. "Education service provider" means a person, business,
12 public school district, public charter school, magnet school, or
13 organization that provides educational goods and/or services to
14 eligible students in this state;

15 ~~5.~~ 6. "Eligible student" means a resident of this state who is
16 eligible to enroll in a public school in this state. Eligible
17 student shall include a student who is enrolled in and attends or is
18 expected to enroll in a private school in this state accredited by
19 the State Board of Education or another accrediting association or a
20 student who is educated pursuant to the other means of education
21 exception provided for in subsection A of Section 10-105 of this
22 title;

23 ~~6.~~ 7. "Qualified expense" for the purpose of claiming the
24 credit authorized by paragraph 1 of subsection C of this section

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

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

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

24

1 ~~8.~~ 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 7
16 8 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

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

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

7 2. For tax year ~~2025~~ 2026 and subsequent tax years, the total
8 amount of credits authorized by paragraph 2 of subsection C of this
9 section shall not exceed Five Million Dollars (\$5,000,000.00). The
10 Oklahoma Tax Commission shall annually calculate and publish a
11 percentage by which the credits authorized by this section shall be
12 reduced so the total amount of credits used to offset tax does not
13 exceed the annual limit. The formula to be used for the percentage
14 adjustment shall be Five Million Dollars (\$5,000,000.00) divided by
15 the amount of credit claimed in the second preceding tax year. In
16 the event the total tax credits authorized by this section exceed
17 the annual limit in any tax year, the Tax Commission shall permit
18 any excess but shall factor such excess into the percentage
19 adjustment formula for subsequent tax years.

20 3. If a taxpayer, on behalf of an eligible student in the
21 program, chooses not to participate, is no longer eligible to
22 participate, or chooses to forgo participation in the program for
23 any reason, the credit authorized by paragraph 1 of subsection C of
24 this section but not used and not reallocated pursuant to paragraph

1 3 of subsection H of this section shall be added to the subsequent
2 fiscal year limitation as provided in paragraph 1 of this
3 subsection.

4 E. The Commission shall prescribe applications for the purposes
5 of claiming the credits authorized by the Oklahoma Parental Choice
6 Tax Credit Act and a deadline by which applications shall be
7 submitted. A taxpayer claiming the credit authorized by paragraph 1
8 of subsection C of this section shall submit an application
9 prescribed by the Commission to receive the credit ~~in two~~
10 ~~installments, each of which shall be half of the expected amount of~~
11 ~~tuition and fees for the private school~~ based on the enrollment
12 verification form submitted pursuant to this subsection, but in no
13 event shall ~~an installment~~ a payment exceed the amount of the credit
14 authorized by paragraph 1 of subsection C of this section. If an
15 eligible taxpayer provides documentation on the application that he
16 or she is a recipient of income-based government benefits including
17 the Supplemental Nutrition Assistance Program (SNAP), Temporary
18 Assistance for Needy Families (TANF), or ~~SoonerCare~~ the Oklahoma
19 Medicaid Program commonly known as SoonerCare, the eligible taxpayer
20 shall not be required to provide additional income verification.
21 The Department of Human Services and the Oklahoma Health Care
22 Authority shall, upon request by the Oklahoma Tax Commission, verify
23 whether an applicant receives income-based government benefits. The
24 taxpayer shall provide authorization for the Oklahoma Tax Commission

1 to disclose application data to the Department of Human Services
2 and/or the Oklahoma Health Care Authority, and for Department of
3 Human Services and/or the Oklahoma Health Care Authority to provide
4 confirmation of benefits to the Oklahoma Tax Commission for purposes
5 of verifying that the taxpayer is a current recipient of SNAP, TANF,
6 or Oklahoma Medicaid Program benefits; provided, the information
7 shall not be used for any other purpose. A taxpayer claiming the
8 credit authorized by paragraph 1 of subsection C of this section
9 shall submit to the Commission an enrollment verification form from
10 the private school in which the eligible student is enrolled or is
11 expected to enroll with the tuition and fees to be charged the
12 taxpayer for the applicable school year. In reviewing applications
13 submitted by eligible taxpayers to determine whether they qualify
14 for a credit authorized by paragraph 1 of subsection C of this
15 section, the Commission shall give first preference in making
16 ~~installments~~ payments to taxpayers who qualify pursuant to
17 subparagraphs a and b of paragraph 1 of subsection C of this
18 section. The Commission shall give second preference in making
19 payments to taxpayers who qualify and have received the credit in
20 the prior year. For credits issued in the ~~2025-2026~~ 2026-2027
21 school year and subsequent school years, the application period
22 shall be open on February 15 ~~on February 15~~ March 15 through June 15 prior to the
23 beginning of each school year. For any eligible student whose
24 parents or legal guardians have a combined adjusted gross income

1 that does not exceed One Hundred Fifty Thousand Dollars
2 (\$150,000.00) or qualified and received credit in the prior year,
3 applications shall be submitted to the Commission within the first
4 sixty (60) days of the opening of the application period to receive
5 priority consideration. For students enrolled in the full school
6 year, the full credit amount authorized for the school year shall be
7 ~~paid in two installments, one per school semester, to be paid no~~
8 ~~later than August 30 and January 15, each of which shall be half of~~
9 ~~the total expected amount of tuition and fees on the enrollment~~
10 ~~verification form submitted pursuant to this subsection.~~

11 F. ~~In the event there are more applications submitted by~~
12 ~~eligible taxpayers for a credit authorized by paragraph 1 of~~
13 ~~subsection C of this section than available credits pursuant to~~
14 ~~subsection D of this section, then the Commission shall give first~~
15 ~~preference in authorizing credits for eligible students of taxpayers~~
16 ~~who qualify pursuant to subparagraphs a and b of paragraph 1 of~~
17 ~~subsection C of this section and have received the credit in the~~
18 ~~prior year.~~

19 ~~G.~~ Taxpayers claiming the credit shall:

20 1. Only claim the credit for qualified expenses as defined in
21 paragraphs ~~6~~ 7 and ~~7~~ 8 of subsection A of this section to provide an
22 education for an eligible student;

23 2. Ensure no other person is claiming a credit for the eligible
24 student;

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

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

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

9 a. enrolls in a public school, including an open-
10 enrollment charter school,

11 b. enrolls in a nonaccredited private school,

12 c. graduates from high school, or

13 d. is no longer utilizing credits authorized by paragraph
14 1 of subsection C of this section for any reason.

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

19 ~~F.~~ H. 1. The Commission shall have the authority to conduct an
20 audit or contract for the auditing of receipts for qualified
21 expenses submitted pursuant to paragraph 2 of subsection C of this
22 section.

23 2. The Commission shall be authorized to recapture the credits
24 otherwise authorized by the provisions of the Oklahoma Parental

1 Choice Tax Credit Act on a prorated basis if an audit conducted
2 pursuant to this subsection shows that the credit was claimed for
3 expenditures that were not qualified expenses or it finds that the
4 taxpayer has claimed an eligible student who no longer attends a
5 private school or has enrolled in a public school in the state.

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

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

20 ~~J.~~ I. In the event of a failure of revenue pursuant to the
21 Oklahoma State Finance Act, the tax credits otherwise authorized in
22 subsection C of this section shall be reduced proportionately to the
23 reduction in the amount of money appropriated to the State Board of
24

1 Education for the financial support of public schools for the fiscal
2 year in which the failure of revenue occurs.

3 ~~K.~~ J. The Commission shall make available on its website to be
4 updated monthly:

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

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

10 3. The total amount of credits claimed and number of students
11 awarded who attended a public school in the semester immediately
12 preceding the school year for which the application is made each
13 year; and

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

16 ~~L.~~ K. Credits received pursuant to the Oklahoma Parental Choice
17 Tax Credit Act shall not constitute taxable income to a taxpayer who
18 received the credit on behalf of an eligible student.

19 L. No later than June 15 of each year, each participating
20 private school shall electronically provide information to confirm
21 student enrollment and tuition information for the fall and spring
22 semesters of the preceding school year and any other information
23 requested by the Oklahoma Tax Commission. Failure to provide this
24

1 information may result in denial of private school participation in
2 subsequent school years.

3 SECTION 2. This act shall become effective July 1, 2025.

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

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