



BILL/VERSION: HB 1848 / ENGROSSED¹ **ANALYST:** TB
AUTHORS: Rep. Schreiber and Sen. Thompson **DATE:** 3/14/2025
TAX(ES): Income Tax
SUBJECT(S): Credit
EFFECTIVE DATE: January 1, 2026 **Emergency**

ESTIMATED REVENUE IMPACT:

FY26: An estimated decrease of \$24,000 in income tax collections.
FY27: An estimated decrease of \$60,000 in income tax collections.

ANALYSIS: Engrossed HB 1848 proposes a nonrefundable tax credit for an employer’s childcare expenses¹ effective for tax years 2026 – 2030.

An employer may claim a tax credit for the following eligible childcare expenses:

- 30% of the amount spent by an employer to assist an employee with direct childcare expenses.
- 30% of the amount spent by an employer to operate or contract for the operation of a childcare facility primarily serving the dependents of employees, excluding any payments made by the parent or guardian, such as tuition or fees.
- 30% of the amount spent by an employer to contract with a childcare facility to reserve spots for employees’ children.

The credit is capped at \$30,000 per employer, with any unused credit eligible for carryforward for up to five subsequent tax years. Additionally, the total credits claimed statewide cannot exceed \$5 million per fiscal year.

ADMINISTRATIVE CONCERNS: It is unclear how the Oklahoma Tax Commission should calculate the annual credit cap. Also, calculating a cap for an income tax credit on a fiscal year basis presents an administrative challenge. The definitions of "eligible staff member" and "qualified childcare worker" are no longer necessary with the elimination of the employee tax credit.

¹ No substantive changes from the SCR.

3/17/25
DATE

Huan Gong
DR. HUAN GONG, CHIEF TAX ECONOMIST

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Marie Schuble
MARIE SCHUBLE, DIVISION DIRECTOR

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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.

ADDITIONAL INFORMATION:

In its February 2022 Report to Congressional Committeesⁱⁱ, the U.S. Government Accountability Office (GAO) stated that in 2018 (the most recent year available), 143 - 166 corporate income tax returns reported an estimated \$144.7 - \$154.8 million in qualified childcare facility expenditures on Form 8882ⁱⁱⁱ. According to the U.S. Census Bureau's QuickFacts for 2021^{iv}, Oklahoma businesses represent approximately 1.2% of all U.S. businesses. Based on this information, it appears that two Oklahoma businesses may have claimed the existing federal Employer-Provided Childcare Credit for tax year 2018. Assuming similar activity for tax year 2026, an estimated decrease in corporate income tax revenue of \$60,000 is expected. Changes in withholding or estimated tax payments are anticipated; therefore, an estimated revenue decrease of \$24,000 in FY26 and \$60,000 in FY27 when the 2026 returns are filed.

ⁱ The IRS currently allows the Employer-Provided Childcare Credit for up to \$150,000, and an employer may deduct eligible expenditures that exceed the credit. See <https://www.irs.gov/businesses/small-businesses-self-employed/employer-provided-childcare-credit#:~:text=To%20claim%20the%20credit%2C%20use,See%20Form%208882%20General%20Instructions>.

ⁱⁱ See GAO-22-105264, EMPLOYER-PROVIDED CHILD CARE CREDIT: Estimated Claims and Factors Limiting Wider Use.

ⁱⁱⁱ See IRS Form 8882 Credit for Employer-Provided Childcare Facilities and Services at Form 8882 (Rev. December 2017) ([irs.gov](https://www.irs.gov)).

^{iv} See U.S. Census Bureau QuickFacts: United States.