



<b>BILL/VERSION:</b>	<b>SB 104</b> / INTRODUCED	<b>ANALYST:</b> TB
<b>AUTHORS:</b>	Sen. Coleman	<b>DATE:</b> 2/12/2025
<b>TAX(ES):</b>	Income Tax	
<b>SUBJECT(S):</b>	Credit	
<b>EFFECTIVE DATE:</b>	November 1, 2025	<b>Emergency</b> <input type="checkbox"/>

**ESTIMATED REVENUE IMPACT:**

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

**FY27: An estimated decrease of \$13.96 million in income tax collections.**

**ANALYSIS:** SB 104 proposes two new income tax credits: a nonrefundable tax credit for an employer’s childcare expenses<sup>1</sup> and a refundable tax credit for a qualified childcare worker, effective for tax years 2026 – 2030. For the Employer Credit, an estimated decrease in corporate income tax revenue of \$24,000 for FY26 and \$60,000 for FY27. For the Qualified Child Care Worker Credit, an estimated decrease in income tax collections of \$13.9 million in FY27 when the 2026 returns are filed.

**Employer Credit.** An employer may claim a credit for the following:

- 30% of the amount expended for an employee’s childcare expenses.
- 30% of the amount expended for the cost of operating or contracting to operate a childcare facility primarily used by employees; or
- 30% of the amount expended by an employer to contract with a childcare facility to ensure a reservation for its employees.

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 annual credits are capped at either \$5 million or \$14 million. (See Administrative Concerns).

2/13/24  
DATE

Huan Gong  
DR. HUAN GONG, CHIEF TAX ECONOMIST

2/13/25  
DATE

Marie Schuble  
MARIE SCHUBLE, DIVISION DIRECTOR

2/14/25  
DATE

Joseph P. Gappa  
JOSEPH P. GAPPA, 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.*

In February 2022<sup>ii</sup>, the U.S. Government Accountability Office (GAO) stated that in 2018 (the most recent year available), 143 – 166 corporate income tax returns reported approx. \$144.7 – \$154.8 million in qualified childcare facility expenditures<sup>iii</sup>. According to the U.S. Census Bureau<sup>iv</sup>, 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.

**Qualified Child Care Worker Credit.** The bill also proposes a \$1,000 refundable tax credit for a qualified childcare worker, with no annual cap.

Under the proposal, a "qualified childcare worker" is defined as an individual who:

- Is employed for at least 8 consecutive months during the tax year ,
- Performs classroom services at a licensed childcare facility, and
- Is enrolled in Oklahoma's Professional Development Ladder (PDL)<sup>v</sup> and has earned a minimum of twelve (12) credit hours.

The Center for Early Childhood Professional Development reported that 21,385 PDL certificates were issued for FY23<sup>vi</sup>. With 65% of children enrolled in licensed childcare facilities, it is assumed that 65% of childcare workers are also employed at licensed facilities. Applying this assumption to the childcare worker credit, the estimated revenue decrease in individual income tax revenue is \$13.9 million for tax year 2026. No changes in withholding or estimated tax payments are anticipated; therefore, an estimated revenue decrease of \$13.9 million in income tax collections is expected in FY27 when the 2026 returns are filed.

**ADMINISTRATIVE CONCERNS:** There appears to be a drafting inconsistency regarding the annual credit limits. Section G establishes a \$5 million cap, while Section H sets a \$14 million cap, and both reference "credits authorized pursuant to subsection B" (the Employer Credit). Also, the cap formula relies on credit claims from the second preceding tax year, meaning the Oklahoma Tax Commission will not have complete data until tax returns are filed the following year. This delay prevents the cap from being adjusted and enforced until 2028.

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<sup>i</sup> The IRS currently allows the Employer-Provided Child care 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>.

<sup>ii</sup> See [GAO-22-105264, EMPLOYER-PROVIDED CREDIT: Estimated Claims and Factors Limiting Wider Use](#).

<sup>iii</sup> See IRS Form 8882 Credit for Employer-Provided Child Care Facilities and Services at Form 8882 (Rev. December 2017) (irs.gov).

<sup>iv</sup> See [U.S. Census Bureau QuickFacts: United States](#).

<sup>v</sup> The Professional Development Ladder reflects formal job-related education and credentials gained through two-year colleges, technology centers, credentialing bodies, and Registry-approved training sponsors.

<sup>vi</sup> See <https://cecpd.org/Portals/1400/Assets/2023%20Annual%20Report%20Final%20Compressed.pdf>.