

## **BILL SUMMARY**

1<sup>st</sup> Session of the 60<sup>th</sup> Legislature

|                        |   |
|------------------------|---|
| <b>Bill No.:</b>       | <b>HB1848</b>                             |
| <b>Version:</b>        | <b>CS</b>                                 |
| <b>Request Number:</b> | <b>12998</b>                              |
| <b>Author:</b>         | <b>Rep. Schreiber</b>                     |
| <b>Date:</b>           | <b>3/05/2025</b>                          |
| <b>Impact:</b>         | <b>FY26: \$24,000 decrease in revenue</b> |
|                        | <b>FY27: \$60,000 decrease in revenue</b> |

### **Research Analysis**

The committee substitute for HB1848 grants a tax credit to employers that provides a childcare subsidy to its employees or operates a childcare facility for its employees. The credit is equal to 30 percent of the subsidy amount or operating cost, limited to \$30,000 per employer. The credit may be claimed for tax year 2026 through 2030 and capped at \$5 million in total claims each year.

Prepared By: Quyen Do

### **Fiscal Analysis**

In its current form, HB1848 proposes to create a nonrefundable income tax credit for an employer's childcare expenses.

The committee substitute does not modify the bill and does not change the Oklahoma Tax Commission's estimate of its fiscal impact.

The Tax Commission has provided the following analysis:

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**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:** The Subcommittee Recommendation for HB 1848 removes the refundable tax credit for a qualified childcare worker which was included in the Introduced version. HB 1848 proposes a nonrefundable tax credit for an employer's childcare expenses<sup>i</sup> 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.

In its February 2022 Report to Congressional Committees<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 an estimated \$144.7 - \$154.8 million in qualified childcare facility expenditures on Form 8882<sup>iii</sup>. According to the U.S. Census Bureau's QuickFacts for 2021<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<sup>i</sup> 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.

**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.

Prepared By: Zach Penrod, House Fiscal Staff

**Other Considerations**

None.