

1 **Child Care Business Tax Credit**

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Karianne Lisonbee

Senate Sponsor:

3 **LONG TITLE**

4 **General Description:**

5 This bill enacts an income tax credit for employer-provided child care.

6 **Highlighted Provisions:**

7 This bill:

8 ▶ enacts nonrefundable corporate and individual income tax credits for employer-provided
9 child care;

10 ▶ creates a process for an employer to obtain a certificate from the Office of Child Care to
11 claim the tax credit; and

12 ▶ makes technical and conforming changes.

13 **Money Appropriated in this Bill:**

14 None

15 **Other Special Clauses:**

16 This bill provides a special effective date.

17 **Utah Code Sections Affected:**

18 AMENDS:

19 **35A-3-203**, as last amended by Laws of Utah 2021, Chapters 168, 278

20 **59-10-1002.2**, as last amended by Laws of Utah 2023, Chapters 460, 462

21 ENACTS:

22 **35A-3-213**, Utah Code Annotated 1953

23 **59-7-627**, Utah Code Annotated 1953

24 **59-10-1048**, Utah Code Annotated 1953

26 *Be it enacted by the Legislature of the state of Utah:*

27 Section 1. Section **35A-3-203** is amended to read:

28 **35A-3-203 . Functions and duties of office -- Annual report.**

29 The office shall:

30 (1) assess critical child care needs throughout the state on an ongoing basis and focus [its]

- 31 the office's activities on helping to meet the most critical needs;
- 32 (2) provide child care subsidy services for income-eligible children through [~~age 12~~] 12
33 years old and for income-eligible children with disabilities through [~~age 18~~] 18 years old;
- 34 (3) provide information:
- 35 (a) to employers for the development of options for child care in the work place; and
- 36 (b) for educating the public in obtaining quality child care;
- 37 (4) coordinate services for quality:
- 38 (a) child care training;
- 39 (b) child care resource and referral core services; and
- 40 (c) training and education regarding child behavioral health interventions and
41 competencies;
- 42 (5) apply for, accept, or expend gifts or donations from public or private sources;
- 43 (6) provide administrative support services to the committee;
- 44 (7) work collaboratively with the following for the delivery of quality child care, early
45 childhood programs, and school age programs throughout the state:
- 46 (a) the State Board of Education;
- 47 (b) the Department of Health and Human Services; and
- 48 (c) the [~~Division of Substance Abuse~~] Office of Substance Use and Mental Health within
49 the Department of Health and Human Services;
- 50 (8) research child care programs and public policy to improve the quality and accessibility
51 of child care, early childhood programs, and school age programs in the state;
- 52 (9) provide planning and technical assistance for the development and implementation of
53 programs in communities that lack child care, early childhood programs, and school age
54 programs;
- 55 (10) provide organizational support for the establishment of nonprofit organizations
56 approved by the Child Care Advisory Committee, created in Section 35A-3-205;
- 57 (11) coordinate with the department to include in the annual written report described in
58 Section 35A-1-109 information regarding the status of child care in Utah; [~~and~~]
- 59 (12) make rules, in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking
60 Act, and consistent with state and federal law:
- 61 (a) establishing the eligibility requirements for a child care provider to receive a grant or
62 subsidy, including for the following:
- 63 (i) providing child care for an income-eligible child who is 12 years old or younger;
- 64 and

65 (ii) providing child care for an income-eligible child with disabilities who is 18 years
66 old or younger; and

67 (b) prioritizing awards of child care grants or subsidies for income-eligible children
68 within available funds[-] ; and

69 (13) issue tax credit certificates in accordance with Section 35A-3-213.

70 Section 2. Section **35A-3-213** is enacted to read:

71 **35A-3-213 . Tax credit certificate for employer-provided child care tax credit.**

72 (1) As used in this section:

73 (a) "Principal residence" means the same as that term is defined in Section 121, Internal
74 Revenue Code.

75 (b) "Qualified child care expenditure" means an amount paid or incurred to:

76 (i) contract with a qualified child care facility to provide child care services to
77 employees of the person applying for a tax credit certificate; or

78 (ii) acquire, construct, rehabilitate, or expand property:

79 (A) for a qualified child care facility of the person applying for a tax credit
80 certificate;

81 (B) with respect to which a deduction for depreciation, or amortization in lieu of
82 depreciation, is allowable; and

83 (C) that is not part of the principal residence of the person applying for a tax credit
84 certificate or any employee of the person.

85 (c) "Qualified child care facility" means the same as that term is defined in Section 45F,
86 Internal Revenue Code, except that the facility shall be located in Utah.

87 (d) "Qualifying application" means an application that meets the requirement of
88 Subsection (2).

89 (2)(a) A person that seeks to claim a tax credit under Section 59-7-627 or 59-10-1048
90 shall apply to the office for a tax credit certificate.

91 (b) The person shall include in the application for a tax credit certificate the following
92 information for the year in which the person seeks a tax credit certificate:

93 (i) the person's name, address, and taxpayer identification;

94 (ii) the address of the qualified child care facility;

95 (iii) the person's qualified child care expenditures described in Subsection (1)(b)(i);

96 (iv) the person's qualified child care expenditures described in Subsection (1)(b)(ii);

97 and

98 (v) if the person has qualified child care expenditures described in Subsection

99 (1)(b)(ii), a signed statement that the qualified child care facility is not part of the
100 principal residence of the person or the person's employee.

101 (3)(a) The office shall issue a tax credit certificate to a person that:

102 (i) the office determines submits a qualifying application; and

103 (ii) has qualified child care expenditures.

104 (b) The office shall calculate the amount on the tax credits as follows:

105 (i) 20% of the person's qualified child care expenditures described in Subsection

106 (1)(b)(i); and

107 (ii) 50% of the person's qualified child care expenditures described in Subsection

108 (1)(b)(ii).

109 (c) The tax credit certificate shall state separately the amount of each tax credit.

110 (d) A person that receives a tax credit certificate in accordance with this section shall
111 retain the tax credit certificate for the same time period that a person is required to
112 keep books and records under Section 59-1-1406.

113 (4) The office shall submit to the State Tax Commission an electronic list that includes:

114 (a) the name and identifying information of each person to which the office issues a tax
115 credit certificate; and

116 (b) for each person, the amount of the tax credit stated on the tax credit certificate.

117 Section 3. Section **59-7-627** is enacted to read:

118 **59-7-627 . Nonrefundable tax credits for employer-provided child care.**

119 (1) A taxpayer that receives a tax credit certificate in accordance with Section 35A-3-213
120 may claim a nonrefundable tax credit equal to the amount stated on the tax credit
121 certificate for:

122 (a) qualified child care expenditures described in Subsection 35A-3-213(1)(b)(i); and

123 (b) qualified child care expenditures described in Subsection 35A-3-213(1)(b)(ii).

124 (2)(a) A taxpayer may not carry forward or carry back any tax credit described in
125 Subsection (1)(a) that exceeds the taxpayer's income tax liability for the taxable year.

126 (b) A taxpayer may carry forward, to the next five taxable years, the amount of the
127 taxpayer's tax credit described in Subsection (1)(b) that exceeds the taxpayer's
128 income tax liability for the taxable year.

129 Section 4. Section **59-10-1002.2** is amended to read:

130 **59-10-1002.2 . Apportionment of tax credits.**

131 (1) A nonresident individual or a part-year resident individual that claims a tax credit in
132 accordance with Section 59-10-1017, 59-10-1018, 59-10-1019, 59-10-1022, 59-10-1023,

- 133 59-10-1024, 59-10-1028, 59-10-1042, 59-10-1043, 59-10-1044, 59-10-1046, [~~or~~]
 134 59-10-1047, or 59-10-1048 may only claim an apportioned amount of the tax credit
 135 equal to:
- 136 (a) for a nonresident individual, the product of:
- 137 (i) the state income tax percentage for the nonresident individual; and
 138 (ii) the amount of the tax credit that the nonresident individual would have been
 139 allowed to claim but for the apportionment requirements of this section; or
- 140 (b) for a part-year resident individual, the product of:
- 141 (i) the state income tax percentage for the part-year resident individual; and
 142 (ii) the amount of the tax credit that the part-year resident individual would have been
 143 allowed to claim but for the apportionment requirements of this section.
- 144 (2) A nonresident estate or trust that claims a tax credit in accordance with Section
 145 59-10-1017, 59-10-1020, 59-10-1022, 59-10-1024, [~~or~~]59-10-1028, or 59-10-1048 may
 146 only claim an apportioned amount of the tax credit equal to the product of:
- 147 (a) the state income tax percentage for the nonresident estate or trust; and
 148 (b) the amount of the tax credit that the nonresident estate or trust would have been
 149 allowed to claim but for the apportionment requirements of this section.
- 150 Section 5. Section **59-10-1048** is enacted to read:

151 **59-10-1048 . Nonrefundable tax credits for employer-provider child care.**

- 152 ~~{(2)}~~ (1) A claimant, estate, or trust that receives a tax credit certificate in accordance with
 153 Section 35A-3-213 may claim a nonrefundable tax credit equal to the amount stated on
 154 the tax credit certificate for:
- 155 (a) qualified child care expenditures described in Subsection 35A-3-213(1)(b)(i); and
 156 (b) qualified child care expenditures described in Subsection 35A-3-213(1)(b)(ii).
- 157 ~~{(a)}~~ (2)~~{(c)}~~ (a) A claimant, estate, or trust may not carry forward or carry back any tax
 158 credit described in Subsection (1)(a) that exceeds the claimant's, estate's, or trust's
 159 income tax liability for the taxable year.
- 160 (b) A claimant, estate, or trust may carry forward, to the next five taxable years, the
 161 amount of the claimant's, estate's, or trust's tax credit described in Subsection (1)(b)
 162 that exceeds the claimant's, estate's, or trust's income tax liability for the taxable year.

163 Section 6. **Effective Date.**

- 164 (1) Except as provided in Subsection (2), this bill takes effect on January 1, 2026.
- 165 (2) The actions affecting the following sections take effect for a taxable year beginning on
 166 or after January 1, 2026:

- 167 (a) Section 59-7-627;
- 168 (b) Section 59-10-1002.2; and
- 169 (c) Section 59-10-1048.