

Jason E. Thompson proposes the following substitute bill:

Child Care Business Tax Credit

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jason E. Thompson

Senate Sponsor:

LONG TITLE

General Description:

This bill modifies income tax credits for employer-provided child care.

Highlighted Provisions:

This bill:

- defines terms;
- expands the nonrefundable corporate and individual income tax credit for employer-provided child care to apply to off-site child care facilities;
- increases the tax credit amount for certain small business employers, in relation to the employer's child care expenditures;
- repeals the requirement for an employer to have claimed the tax credit for construction expenditures in order to claim the tax credit for child care expenditures; and
- makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

59-7-627, as enacted by Laws of Utah 2025, Chapter 407

59-10-1048, as enacted by Laws of Utah 2025, Chapter 407

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

Section 1. Section **59-7-627** is amended to read:

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

(1) As used in this section:

- 29 (a) "Eligible small business" means the same as that term is defined in Section 45F,
 30 Internal Revenue Code.
- 31 (b) "Off-site qualified child care facility" means a qualified child care facility that an
 32 employer does not own, control, operate, or manage.
- 33 (c) "On-site qualified child care facility" means a qualified child care facility that an
 34 employer owns, controls, operates, or manages, for the benefit of the employer's
 35 employees.
- 36 ~~[(a)]~~ (d)(i) "Qualified child care expenditure" means an amount [paid or incurred] an
 37 employer pays or incurs for:
- 38 (A) the operating costs of [a] an on-site qualified child care facility[-of the
 39 employer], whether the employer operates the on-site qualified child care
 40 facility or contracts with a third party provider to provide child care services at
 41 the on-site qualified child care facility[-] ;
- 42 (B) entering into a contract with an off-site qualified child care facility to provide
 43 child care services for the employer's employees; or
- 44 (C) entering into a contract with an intermediate entity that contracts with one or
 45 more off-site qualified child care facilities to provide child care services for the
 46 employer's employees.
- 47 (ii) ~~["Qualified]~~ For an employer that operates an on-site qualified child care facility,
 48 "qualified child care expenditure" includes costs related to training employees and
 49 providing increased compensation to employees with higher levels of child care
 50 training.
- 51 ~~[(b)]~~ (e) "Qualified child care facility" means center based child care as that term is
 52 defined in Section 26B-2-401 that is located in the state.
- 53 ~~[(e)]~~ (f) "Qualified construction expenditure" means an amount [paid or incurred] an
 54 employer pays or incurs to acquire, construct, rehabilitate, or expand property:
- 55 (i) for [a] an on-site qualified child care facility[-of the employer]; and
- 56 (ii) with respect to which the employer is allowed a deduction for depreciation, or
 57 amortization in lieu of depreciation.
- 58 ~~[(d)]~~ (g) "Qualifying taxpayer" means a taxpayer that:
- 59 (i) is an employer; and
- 60 (ii) qualifies for and claims the federal employer-provided child care tax credit
 61 described in Section 45F, Internal Revenue Code, for the current taxable year.
- 62 ~~[(e)]~~ (h) "Recapture event" means an employer fails to operate [a] an on-site qualified

63 child care facility for which the employer claims a tax credit under ~~[this section]~~
 64 Subsection (2) as a child care facility for at least five consecutive taxable years after
 65 the taxable year on which the employer first claims a tax credit under ~~[this section]~~
 66 Subsection (2).

67 ~~[(f)]~~ (i) "Third party provider" means:

68 (i) a new child care provider; or

69 (ii) an existing child care provider that can perform the contract without reducing the
 70 provider's existing child care services.

71 (2)(a) A qualifying taxpayer may claim a nonrefundable tax credit equal to 20% of the
 72 qualified construction expenditures the qualifying taxpayer incurred during the
 73 taxable year.

74 (b) A qualifying taxpayer may carry forward, to the next five taxable years, the amount
 75 of the qualifying taxpayer's tax credit described in this Subsection (2) that exceeds
 76 the qualifying taxpayer's income tax liability for the taxable year.

77 (3)(a)~~[(i) Subject to Subsection (3)(a)(ii), a]~~ A qualifying taxpayer may claim a
 78 nonrefundable tax credit equal to:

79 (i) 30% of the qualified child care expenditures the qualifying taxpayer incurred
 80 during the taxable year, for a qualifying taxpayer that qualifies as an eligible small
 81 business for the taxable year; or

82 (ii) 10% of the qualified child care expenditures the qualifying taxpayer incurred
 83 during the taxable year, for a qualifying taxpayer that does not qualify as an
 84 eligible small business for the taxable year.

85 ~~[(ii) A qualifying taxpayer may claim a tax credit under this Subsection (3) for~~
 86 ~~qualified child care expenditures only if the qualifying taxpayer claims a tax credit~~
 87 ~~under Subsection (2) for the current taxable year or a previous taxable year.]~~

88 (b) A qualifying taxpayer may not carry forward or carry back the tax credit described in
 89 this Subsection (3) that exceeds the qualifying taxpayer's income tax liability for the
 90 taxable year.

91 (4)(a)(i) If a recapture event happens within two taxable years after the first taxable
 92 year in which the qualifying taxpayer claims a tax credit under this section, a
 93 qualifying taxpayer shall repay 100% of the tax credit a qualifying taxpayer
 94 receives under this section for any taxable year.

95 (ii) If a recapture event happens more than two taxable years but fewer than three
 96 taxable years after the first taxable year in which the qualifying taxpayer claims a

97 tax credit under this section, a qualifying taxpayer shall repay 75% of the tax
 98 credit a qualifying taxpayer receives under this section for any taxable year.

99 (iii) If a recapture event happens more than three taxable years but fewer than four
 100 taxable years after the first taxable year in which the qualifying taxpayer claims a
 101 tax credit under this section, a qualifying taxpayer shall repay 50% of the tax
 102 credit a qualifying taxpayer receives under this section for any taxable year.

103 (iv) If a recapture event happens more than four taxable years but fewer than five
 104 taxable years after the first taxable year in which the qualifying taxpayer claims a
 105 tax credit under this section, a qualifying taxpayer shall repay 25% of the tax
 106 credit a qualifying taxpayer receives under this section for any taxable year.

107 (b) A qualifying taxpayer shall make a payment for a recapture event for the taxable year
 108 in which the recapture event occurs.

109 Section 2. Section **59-10-1048** is amended to read:

110 **59-10-1048 . Nonrefundable tax credits for employer-provider child care.**

111 (1) As used in this section:

112 (a) "Eligible small business" means the same as that term is defined in Section 45F,
 113 Internal Revenue Code.

114 ~~[(a)]~~ (b) "Qualified child care expenditure" means the same as that term is defined in
 115 Section 59-7-627.

116 ~~[(b)]~~ (c) "Qualified child care facility" means the same as that term is defined in Section
 117 59-7-627.

118 ~~[(c)]~~ (d) "Qualified construction expenditure" means the same as that term is defined in
 119 Section 59-7-627.

120 ~~[(d)]~~ (e) "Qualifying claimant" means a claimant, estate, or trust that:

121 (i) is an employer; and

122 (ii) qualifies for and claims the federal employer-provided child care tax credit
 123 described in Section 45F, Internal Revenue Code, for the current taxable year.

124 ~~[(e)]~~ (f) "Recapture event" means the same as that term is defined in Section 59-7-627.

125 ~~[(f)]~~ (g) "Third party provider" means the same as that term is defined in Section
 126 59-7-627.

127 (2)(a) A qualifying claimant may claim a nonrefundable tax credit equal to 20% of the
 128 qualified construction expenditures the qualifying claimant incurred during the
 129 taxable year.

130 (b) A qualifying claimant may carry forward, to the next five taxable years, the amount

131 of the qualifying claimant's tax credit described in this Subsection (2) that exceeds
132 the qualifying claimant's income tax liability for the taxable year.

133 (3)(a)[~~(i) Subject to Subsection (3)(a)(ii), a~~] A qualifying claimant may claim a
134 nonrefundable tax credit equal to:

135 (i) 30% of the qualified child care expenditures the qualifying claimant incurred
136 during the taxable year, for a qualifying claimant that qualifies as an eligible small
137 business for the taxable year; or

138 (ii) 10% of the qualified child care expenditures the qualifying claimant incurred
139 during the taxable year, for a qualifying claimant that does not qualify as an
140 eligible small business for the taxable year.

141 [~~(ii) A qualifying claimant may claim a tax credit under this Subsection (3) for~~
142 ~~qualified child care expenditures only if the qualifying claimant claims a tax credit~~
143 ~~under Subsection (2) for the current taxable year or a previous taxable year.]~~

144 (b) A qualifying claimant may not carry forward or carry back the tax credit described in
145 this Subsection (3) that exceeds the qualifying claimant's income tax liability for the
146 taxable year.

147 (4)(a)(i) If a recapture event happens within two taxable years after the first taxable
148 year in which the qualifying claimant claims a tax credit under this section, a
149 qualifying claimant shall repay 100% of the tax credit a qualifying claimant
150 receives under this section for any taxable year.

151 (ii) If a recapture event happens more than two taxable years but fewer than three
152 taxable years after the first taxable year in which the qualifying claimant claims a
153 tax credit under this section, a qualifying claimant shall repay 75% of the tax
154 credit a qualifying claimant receives under this section for any taxable year.

155 (iii) If a recapture event happens more than three taxable years but fewer than four
156 taxable years after the first taxable year in which the qualifying claimant claims a
157 tax credit under this section, a qualifying claimant shall repay 50% of the tax
158 credit a qualifying claimant receives under this section for any taxable year.

159 (iv) If a recapture event happens more than four taxable years but fewer than five
160 taxable years after the first taxable year in which the qualifying claimant claims a
161 tax credit under this section, a qualifying claimant shall repay 25% of the tax
162 credit a qualifying claimant receives under this section for any taxable year.

163 (b) A qualifying claimant shall make a payment for a recapture event for the taxable year
164 in which the recapture event occurs.

165 Section 3. **Effective Date.**

166 This bill takes effect on May 6, 2026.

167 Section 4. **Retrospective operation.**

168 This bill has retrospective operation for a taxable year beginning on or after January 1,

169 2026.