

Jason E. Thompson proposes the following substitute bill:

Child Care Business Tax Credit

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jason E. Thompson

Senate Sponsor: Ann Millner

LONG TITLE

General Description:

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

Highlighted Provisions:

This bill:

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

- makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

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

ENACTS:

59-7-627, Utah Code Annotated 1953

59-10-1048, Utah Code Annotated 1953

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

Section 2. Section **59-7-627** is enacted to read:

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

(1) As used in this section:

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

- (b) "Qualified child care expenditure" means the amount paid or incurred \hat{H} → [$\frac{1}{2}$] ← \hat{H}
- 30 ~~{(i)}~~ for the operating costs of a qualified child care facility of the employer, including
31 costs related to training employees, offering scholarship programs, and providing
32 increased compensation to employees with higher levels of child care training \hat{H} → [$\frac{1}{2}$
 or] . ← \hat{H}
- 33 ~~{(ii)}~~ \hat{H} → [under a contract with a qualified child care facility to provide child care
 services
- 34 to the employer's employees.] ← \hat{H}
- (c) "Qualified child care facility" means the same as that term is defined in Section 45F,
36 Internal Revenue Code, except that the facility is a center based child care as that
37 term is defined in Section 26B-2-401 and is located in the state:
- 38 (i) in a county of the first class, as classified in Section 17-50-501, within one mile of
39 any boundary of the property on which the employer's office is located;
40 (ii) in a county of the second or third class, as classified in Section 17-50-501, within
41 two miles of any boundary of the property on which the employer's office is
42 located; or
- 43 (iii) in a county of the fourth, fifth, or sixth class, as classified in Section 17-50-501:
44 (A) within the boundaries of the municipality in which the employer's office is
45 located; or
46 (B) if the employer's office is located in an unincorporated portion of the county,
47 within the boundaries of the nearest municipality.
- (d) "Qualified construction expenditure" means an amount paid or incurred to acquire,
49 construct, rehabilitate, or expand property:
- 50 (i) for a qualified child care facility of the employer; \hat{H} → and ← \hat{H}
51 (ii) with respect to which the employer is allowed a deduction for depreciation, or
52 amortization in lieu of depreciation \hat{H} → [$\frac{1}{2}$ and] . ← \hat{H}
- 53 ~~{(iii)}~~ \hat{H} → [that is not part of the principal residence of the employer or an employee of
 the
- 54 employer.] ← \hat{H}
- (e) "Qualifying taxpayer" means a taxpayer that:
- 56 (i) is an employer; and
57 (ii) qualifies for and claims the federal employer-provided child care tax credit
58 described in Section 45F, Internal Revenue Code, for the current taxable year.

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

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

65 (3)(a) A qualifying taxpayer may claim a nonrefundable tax credit equal to 10% of the
 66 qualified child care expenditures the qualifying taxpayer incurred during the taxable
 67 year.

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

71 Section 13. Section **59-10-1002.2** is amended to read:

72 **59-10-1002.2 . Apportionment of tax credits.**

73 (1) A nonresident individual or a part-year resident individual that claims a tax credit in
 74 accordance with Section 59-10-1017, 59-10-1018, 59-10-1019, 59-10-1022, 59-10-1023,
 75 59-10-1024, 59-10-1028, 59-10-1042, 59-10-1043, 59-10-1044, 59-10-1046, [~~or~~]
 76 59-10-1047, or 59-10-1048 may only claim an apportioned amount of the tax credit
 77 equal to:

78 (a) for a nonresident individual, the product of:

79 (i) the state income tax percentage for the nonresident individual; and

80 (ii) the amount of the tax credit that the nonresident individual would have been
 81 allowed to claim but for the apportionment requirements of this section; or

82 (b) for a part-year resident individual, the product of:

83 (i) the state income tax percentage for the part-year resident individual; and

84 (ii) the amount of the tax credit that the part-year resident individual would have been
 85 allowed to claim but for the apportionment requirements of this section.

86 (2) A nonresident estate or trust that claims a tax credit in accordance with Section
 87 59-10-1017, 59-10-1020, 59-10-1022, 59-10-1024, [~~or~~]59-10-1028, or 59-10-1048 may
 88 only claim an apportioned amount of the tax credit equal to the product of:

89 (a) the state income tax percentage for the nonresident estate or trust; and

90 (b) the amount of the tax credit that the nonresident estate or trust would have been
 91 allowed to claim but for the apportionment requirements of this section.

92 Section 1. Section **59-10-1048** is enacted to read:

93 **59-10-1048 . Nonrefundable tax credits for employer-provider child care.**94 (1) As used in this section:95 (a) "Principal residence" means the same as that term is defined in Section 121, Internal
96 Revenue Code.97 (b) "Qualified child care expenditure" means the same as that term is defined in Section
98 59-7-627.99 (c) "Qualified child care facility" means the same as that term is defined in Section
100 59-7-627.101 (d) "Qualified construction expenditure" means the same as that term is defined in
102 Section 59-7-627.103 (e) "Qualifying claimant" means a claimant, estate, or trust that:104 (i) is an employer; and105 (ii) qualifies for and claims the federal employer-provided child care tax credit
106 described in Section 45F, Internal Revenue Code, for the current taxable year.107 (2)(a) A qualifying claimant may claim a nonrefundable tax credit equal to 20% of the
108 qualified construction expenditures the qualifying claimant incurred during the
109 taxable year.110 (b) A qualifying claimant may carry forward, to the next five taxable years, the amount
111 of the qualifying claimant's tax credit described in this Subsection (2) that exceeds
112 the qualifying claimant's income tax liability for the taxable year.113 (3)(a) A qualifying claimant may claim a nonrefundable tax credit equal to 10% of the
114 qualified child care expenditures the qualifying claimant incurred during the taxable
115 year.116 (b) A qualifying claimant may not carry forward or carry back the tax credit described in
117 this Subsection (3) that exceeds the qualifying claimant's income tax liability for the
118 taxable year.119 **Section 12. Effective Date.**120 This bill takes effect on May 7, 2025.121 **Section 14. Retrospective operation.**122 This bill has retrospective operation for a taxable year beginning on or after January 1,
123 2025.