

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: Heidi Balderree

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**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;

▸ **Ĥ→ disqualifies an employer from receiving the tax credit if the employer charges or deducts pay from employees for child care services; ←Ĥ**

▸ 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;

▸ requires the Governor's Office of Economic Opportunity to develop and maintain a webpage for employers to obtain information and resources regarding the tax credits; 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 (Effective 05/06/26) (Applies beginning 01/01/26)**, as enacted by Laws of Utah 2025, Chapter 407

**59-10-1048 (Effective 05/06/26) (Applies beginning 01/01/26)**, as enacted by Laws of

27 Utah 2025, Chapter 407

28 ENACTS:

29 **63N-1a-308 (Effective 05/06/26)**, Utah Code Annotated 1953

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

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

33 **59-7-627 (Effective 05/06/26) (Applies beginning 01/01/26). Nonrefundable tax**  
 34 **credits for employer-provided child care.**

35 (1) As used in this section:

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

38 (b) "Off-site qualified child care facility" means a qualified child care facility that an  
 39 employer does not own, control, operate, or manage.

40 (c) "On-site qualified child care facility" means a qualified child care facility that an  
 41 employer owns, controls, operates, or manages, for the benefit of the employer's  
 42 employees.

43 ~~[(a)]~~ (d)(i) "Qualified child care expenditure" means an amount [paid or incurred] an  
 44 employer pays or incurs for:

45 (A) the operating costs of [a] an on-site qualified child care facility[-of the  
 46 employer], whether the employer operates the on-site qualified child care  
 47 facility or contracts with a third party provider to provide child care services at  
 48 the on-site qualified child care facility[-];

49 (B) entering into a contract with an off-site qualified child care facility to provide  
 50 child care services for the employer's employees; or

51 (C) entering into a contract with an intermediate entity that contracts with one or  
 52 more off-site qualified child care facilities to provide child care services for the  
 53 employer's employees.

54 (ii) ~~["Qualified]~~ For an employer that operates an on-site qualified child care facility,  
 55 "qualified child care expenditure" includes costs related to training employees and  
 56 providing increased compensation to employees with higher levels of child care  
 57 training.

58 ~~[(b)]~~ (e) "Qualified child care facility" means center based child care as that term is  
 59 defined in Section 26B-2-401 that is located in the state.

60 ~~[(e)]~~ (f) "Qualified construction expenditure" means an amount [paid or incurred] an

61 employer pays or incurs to acquire, construct, rehabilitate, or expand property:

62 (i) for [a] an on-site qualified child care facility~~[-of the employer]~~; and

63 (ii) with respect to which the employer is allowed a deduction for depreciation, or  
64 amortization in lieu of depreciation.

65 ~~[(d)]~~ (g) "Qualifying taxpayer" means a taxpayer that:

66 (i) is an employer; ~~Ĥ~~ → **[and]** ← ~~Ĥ~~

67 (ii) qualifies for and claims the federal employer-provided child care tax credit  
68 described in Section 45F, Internal Revenue Code, for the current taxable year ~~Ĥ~~ → [.]

68a **; and**

68b **(iii) does not obtain payment from an employee or deduct from an employee's**  
68c **salary or wages for child care services, with respect to any qualified child care**

68d **facility for which the taxpayer claims a tax credit under this section.** ← ~~Ĥ~~

69 ~~[(e)]~~ (h) "Recapture event" means an employer fails to operate [a] an on-site qualified  
70 child care facility for which the employer claims a tax credit under ~~[this section]~~  
71 Subsection (2) as a child care facility for at least five consecutive taxable years after  
72 the taxable year on which the employer first claims a tax credit under ~~[this section]~~  
73 Subsection (2).

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

75 (i) a new child care provider; or

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

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

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

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

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

89 (ii) 10% of the qualified child care expenditures the qualifying taxpayer incurred  
90 during the taxable year, for a qualifying taxpayer that does not qualify as an

- 91                    eligible small business for the taxable year.
- 92                    [~~(ii) A qualifying taxpayer may claim a tax credit under this Subsection (3) for~~
- 93                    ~~qualified child care expenditures only if the qualifying taxpayer claims a tax credit~~
- 94                    ~~under Subsection (2) for the current taxable year or a previous taxable year.]~~
- 95                    (b) A qualifying taxpayer may not carry forward or carry back the tax credit described in
- 96                    this Subsection (3) that exceeds the qualifying taxpayer's income tax liability for the
- 97                    taxable year.
- 98                    (4)(a)(i) If a recapture event happens within two taxable years after the first taxable
- 99                    year in which the qualifying taxpayer claims a tax credit under this section, a
- 100                    qualifying taxpayer shall repay 100% of the tax credit a qualifying taxpayer
- 101                    receives under this section for any taxable year.
- 102                    (ii) If a recapture event happens more than two taxable years but fewer than three
- 103                    taxable years after the first taxable year in which the qualifying taxpayer claims a
- 104                    tax credit under this section, a qualifying taxpayer shall repay 75% of the tax
- 105                    credit a qualifying taxpayer receives under this section for any taxable year.
- 106                    (iii) If a recapture event happens more than three taxable years but fewer than four
- 107                    taxable years after the first taxable year in which the qualifying taxpayer claims a
- 108                    tax credit under this section, a qualifying taxpayer shall repay 50% of the tax
- 109                    credit a qualifying taxpayer receives under this section for any taxable year.
- 110                    (iv) If a recapture event happens more than four taxable years but fewer than five
- 111                    taxable years after the first taxable year in which the qualifying taxpayer claims a
- 112                    tax credit under this section, a qualifying taxpayer shall repay 25% of the tax
- 113                    credit a qualifying taxpayer receives under this section for any taxable year.
- 114                    (b) A qualifying taxpayer shall make a payment for a recapture event for the taxable year
- 115                    in which the recapture event occurs.

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

117                    **59-10-1048 (Effective 05/06/26) (Applies beginning 01/01/26). Nonrefundable tax**

118                    **credits for employer-provider child care.**

119                    (1) As used in this section:

120                    (a) "Eligible small business" means the same as that term is defined in Section 45F,

121                    Internal Revenue Code.

122                    [~~(b)~~] (b) "Qualified child care expenditure" means the same as that term is defined in

123                    Section 59-7-627.

124                    [~~(c)~~] (c) "Qualified child care facility" means the same as that term is defined in Section

125 59-7-627.

126 [(e)] (d) "Qualified construction expenditure" means the same as that term is defined in  
127 Section 59-7-627.

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

129 (i) is an employer; ~~and~~ **[and]** ~~and~~

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

131a **;** **and**

131b **(iii) does not obtain payment from an employee or deduct from an employee's**  
131c **salary or wages for child care services, with respect to any qualified child care**  
131d **facility for which the claimant, estate, or trust claims a tax credit under this**  
**section.** ~~and~~

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

133 [(f)] (g) "Third party provider" means the same as that term is defined in Section  
134 59-7-627.

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

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

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

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

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

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

152 (b) A qualifying claimant may not carry forward or carry back the tax credit described in  
153 this Subsection (3) that exceeds the qualifying claimant's income tax liability for the

154 taxable year.

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

159 (ii) If a recapture event happens more than two taxable years but fewer than three  
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 75% of the tax  
162 credit a qualifying claimant receives under this section for any taxable year.

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

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

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

173 Section 3. Section **63N-1a-308** is enacted to read:

174 **63N-1a-308 (Effective 05/06/26). Office to maintain webpage for employers**  
175 **regarding employer-provided child care tax credits.**

176 (1) For purposes of this section, "employer-provided child care tax credits" means the  
177 nonrefundable income tax credits available to employers under Sections 59-7-627 and  
178 59-10-1048.

179 (2) The office shall develop and maintain a webpage on the office's public website through  
180 which employers may obtain information and resources regarding the  
181 employer-provided child care tax credits.

182 (3) The webpage described in Subsection (2) shall:

183 (a) provide a simple and easy-to-understand overview of the employer-provided child  
184 care tax credits, including the eligibility requirements and an explanation as to how  
185 the state's employer-provided child care tax credits relates to the federal  
186 employer-provided child care tax credit under Section 45F, Internal Revenue Code;

187 (b) provide instructions to employers for how to claim an employer-provided child care

- 188 tax credit, including:  
189 (i) a description of applicable filing deadlines;  
190 (ii) links for accessing any necessary forms or documentation; and  
191 (iii) contact information for relevant state or federal agencies, intermediaries, and  
192 other stakeholders that may be able to assist employers with claiming a tax credit;  
193 (c) provides examples of the various ways in which an employer may qualify to receive  
194 an employer-provided child care tax credit; and  
195 (d) includes any other information the office determines will increase employer  
196 awareness and the effectiveness of the employer-provided child care tax credits.  
197 (4) The office may coordinate with the State Tax Commission and any other relevant  
198 agencies in developing and maintaining the webpage required by this section.

199 **Section 4. Effective Date.**

200 This bill takes effect on May 6, 2026.

201 **Section 5. Retrospective operation.**

- 202 (1) Except as provided in Subsection (2), this bill has retrospective operation to January 1,  
203 2026.  
204 (2) Section 63N-1a-308 (Effective 05/06/26) has no retrospective operation.