

1

Child Care Business Tax Credit
 2026 GENERAL SESSION
 STATE OF UTAH
Chief Sponsor: Jason E. Thompson
 Senate Sponsor: Heidi Balderree

Cosponsor:	Doug Fiefia	Carol S. Moss
John Arthur	Jake Fitisemanu	Hoang Nguyen
Melissa G. Ballard	Jon Hawkins	Clinton D. Okerlund
Jefferson S. Burton	Sahara Hayes	Derrin R. Owens
Tyler Clancy	Sandra Hollins	Karen M. Peterson
Paul A. Cutler	Colin W. Jack	Candice B. Pierucci
Jennifer Dailey-Provost	Matt MacPherson	Angela Romero
Ariel Defay	Ashlee Matthews	Andrew Stoddard
Rosalba Dominguez	Verona Mauga	Jordan D. Teuscher
James A. Dunnigan	Tracy J. Miller	
Joseph Elison	Grant Amjad Miller	

2

LONG TITLE

3

General Description:

4

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

5

Highlighted Provisions:

6

This bill:

7

▸ defines terms;

8

▸ expands the nonrefundable corporate and individual income tax credit for employer-provided child care to apply to off-site child care facilities;

9

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

10

▸ increases the tax credit amount for certain small business employers, in relation to the

11

12

13

- 14 employer's child care expenditures;
- 15 ▸ repeals the requirement for an employer to have claimed the tax credit for construction
- 16 expenditures in order to claim the tax credit for child care expenditures;
- 17 ▸ requires the Governor's Office of Economic Opportunity to develop and maintain a
- 18 webpage for employers to obtain information and resources regarding the tax credits; and
- 19 ▸ makes technical and conforming changes.

20 **Money Appropriated in this Bill:**

21 None

22 **Other Special Clauses:**

23 This bill provides retrospective operation.

24 **Utah Code Sections Affected:**

25 AMENDS:

26 **59-7-627 (Effective 05/06/26) (Applies beginning 01/01/26)**, as enacted by Laws of Utah

27 2025, Chapter 407

28 **59-10-1048 (Effective 05/06/26) (Applies beginning 01/01/26)**, as enacted by Laws of

29 Utah 2025, Chapter 407

30 ENACTS:

31 **63N-1a-308 (Effective 05/06/26)**, Utah Code Annotated 1953

32

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

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

35 **59-7-627 (Effective 05/06/26) (Applies beginning 01/01/26). Nonrefundable tax**

36 **credits for employer-provided child care.**

37 (1) As used in this section:

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

39 Internal Revenue Code.

40 (b) "Off-site qualified child care facility" means a qualified child care facility that an

41 employer does not own, control, operate, or manage.

42 (c) "On-site qualified child care facility" means a qualified child care facility that an

43 employer owns, controls, operates, or manages, for the benefit of the employer's

44 employees.

45 [(a)] (d)(i) "Qualified child care expenditure" means an amount [paid or incurred] an

46 employer pays or incurs for:

47 (A) the operating costs of [a] an on-site qualified child care facility[~~of the~~

48 employer], whether the employer operates the on-site qualified child care
49 facility or contracts with a third party provider to provide child care services at
50 the on-site qualified child care facility[-] ;

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

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

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

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

62 [~~(e)~~] (f) "Qualified construction expenditure" means an amount [~~paid or incurred~~] an
63 employer pays or incurs to acquire, construct, rehabilitate, or expand property:

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

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

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

68 (i) is an employer; [~~and~~]

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

71 and

72 (iii) does not obtain payment from an employee or deduct from an employee's salary
73 or wages for child care services, with respect to any qualified child care facility
74 for which the taxpayer claims a tax credit under this section.

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

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

81 (i) a new child care provider; or

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

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

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

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

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

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

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

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

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

108 (ii) If a recapture event happens more than two taxable years but fewer than three
109 taxable years after the first taxable year in which the qualifying taxpayer claims a
110 tax credit under this section, a qualifying taxpayer shall repay 75% of the tax
111 credit a qualifying taxpayer receives under this section for any taxable year.

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

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

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

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

123 **59-10-1048 (Effective 05/06/26) (Applies beginning 01/01/26). Nonrefundable tax**
124 **credits for employer-provider child care.**

125 (1) As used in this section:

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

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

130 ~~[(b)]~~ (c) "Qualified child care facility" means the same as that term is defined in Section
131 59-7-627.

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

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

135 (i) is an employer; ~~[and]~~

136 (ii) qualifies for and claims the federal employer-provided child care tax credit
137 described in Section 45F, Internal Revenue Code, for the current taxable year[-];
138 and

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

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

143 ~~[(f)]~~ (g) "Third party provider" means the same as that term is defined in Section
144 59-7-627.

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

148 (b) A qualifying claimant may carry forward, to the next five taxable years, the amount
149 of the qualifying claimant's tax credit described in this Subsection (2) that exceeds

- 150 the qualifying claimant's income tax liability for the taxable year.
- 151 (3)(a)[~~(i) Subject to Subsection (3)(a)(ii), a~~ A qualifying claimant may claim a
- 152 nonrefundable tax credit equal to:
- 153 (i) 30% of the qualified child care expenditures the qualifying claimant incurred
- 154 during the taxable year, for a qualifying claimant that qualifies as an eligible small
- 155 business for the taxable year; or
- 156 (ii) 10% of the qualified child care expenditures the qualifying claimant incurred
- 157 during the taxable year, for a qualifying claimant that does not qualify as an
- 158 eligible small business for the taxable year.
- 159 [~~(ii) A qualifying claimant may claim a tax credit under this Subsection (3) for~~
- 160 ~~qualified child care expenditures only if the qualifying claimant claims a tax credit~~
- 161 ~~under Subsection (2) for the current taxable year or a previous taxable year.]~~
- 162 (b) A qualifying claimant may not carry forward or carry back the tax credit described in
- 163 this Subsection (3) that exceeds the qualifying claimant's income tax liability for the
- 164 taxable year.
- 165 (4)(a)(i) If a recapture event happens within two taxable years after the first taxable
- 166 year in which the qualifying claimant claims a tax credit under this section, a
- 167 qualifying claimant shall repay 100% of the tax credit a qualifying claimant
- 168 receives under this section for any taxable year.
- 169 (ii) If a recapture event happens more than two taxable years but fewer than three
- 170 taxable years after the first taxable year in which the qualifying claimant claims a
- 171 tax credit under this section, a qualifying claimant shall repay 75% of the tax
- 172 credit a qualifying claimant receives under this section for any taxable year.
- 173 (iii) If a recapture event happens more than three taxable years but fewer than four
- 174 taxable years after the first taxable year in which the qualifying claimant claims a
- 175 tax credit under this section, a qualifying claimant shall repay 50% of the tax
- 176 credit a qualifying claimant receives under this section for any taxable year.
- 177 (iv) If a recapture event happens more than four taxable years but fewer than five
- 178 taxable years after the first taxable year in which the qualifying claimant claims a
- 179 tax credit under this section, a qualifying claimant shall repay 25% of the tax
- 180 credit a qualifying claimant receives under this section for any taxable year.
- 181 (b) A qualifying claimant shall make a payment for a recapture event for the taxable year
- 182 in which the recapture event occurs.
- 183 Section 3. Section **63N-1a-308** is enacted to read:

184 **63N-1a-308 (Effective 05/06/26). Office to maintain webpage for employers**
185 **regarding employer-provided child care tax credits.**

- 186 (1) For purposes of this section, "employer-provided child care tax credits" means the
187 nonrefundable income tax credits available to employers under Sections 59-7-627 and
188 59-10-1048.
- 189 (2) The office shall develop and maintain a webpage on the office's public website through
190 which employers may obtain information and resources regarding the
191 employer-provided child care tax credits.
- 192 (3) The webpage described in Subsection (2) shall:
- 193 (a) provide a simple and easy-to-understand overview of the employer-provided child
194 care tax credits, including the eligibility requirements and an explanation as to how
195 the state's employer-provided child care tax credits relates to the federal
196 employer-provided child care tax credit under Section 45F, Internal Revenue Code;
- 197 (b) provide instructions to employers for how to claim an employer-provided child care
198 tax credit, including:
- 199 (i) a description of applicable filing deadlines;
200 (ii) links for accessing any necessary forms or documentation; and
201 (iii) contact information for relevant state or federal agencies, intermediaries, and
202 other stakeholders that may be able to assist employers with claiming a tax credit;
- 203 (c) provides examples of the various ways in which an employer may qualify to receive
204 an employer-provided child care tax credit; and
- 205 (d) includes any other information the office determines will increase employer
206 awareness and the effectiveness of the employer-provided child care tax credits.
- 207 (4) The office may coordinate with the State Tax Commission and any other relevant
208 agencies in developing and maintaining the webpage required by this section.

209 **Section 4. Effective Date.**

210 This bill takes effect on May 6, 2026.

211 **Section 5. Retrospective operation.**

- 212 (1) Except as provided in Subsection (2), this bill has retrospective operation to January 1,
213 2026.
- 214 (2) Section 63N-1a-308 (Effective 05/06/26) has no retrospective operation.