

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

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) Subjeet to Subseetion (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 Subseetion (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

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

- (iii) If a recapture event happens more than three taxable years but fewer than four taxable years after the first taxable year in which the qualifying taxpayer claims a tax credit under this section, a qualifying taxpayer shall repay 50% of the tax credit a qualifying taxpayer receives under this section for any taxable year.
- (iv) If a recapture event happens more than four taxable years but fewer than five taxable years after the first taxable year in which the qualifying taxpayer claims a tax credit under this section, a qualifying taxpayer shall repay 25% of the tax credit a qualifying taxpayer receives under this section for any taxable year.

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

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

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

(1) As used in this section:

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

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

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

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

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

(i) is an employer; and

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

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

[ff] (g) "Third party provider" means the same as that term is defined in Section 59.7.627

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

(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) ~~Subjeet to Subseetion (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 Subseetion (3) for~~
142 ~~qualified child care expenditures only if the qualifying claimant claims a tax credit~~
143 ~~under Subseetion (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.