

By: Alvarado

S.B. No. 1803

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for taxable entities that subsidize child-care costs of the entities' employees.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 171, Tax Code, is amended by adding Subchapter W to read as follows:

SUBCHAPTER W. TAX CREDIT FOR CHILD-CARE SUBSIDY

Sec. 171.9261. DEFINITION. In this subchapter, "employee" means an individual who performs services for an employer for compensation under an oral or written contract of hire, whether express or implied. The term includes an independent contractor.

Sec. 171.9262. ENTITLEMENT TO CREDIT. A taxable entity is entitled to a credit in the amount and under the conditions provided by this subchapter against the tax imposed under this chapter.

Sec. 171.9263. QUALIFICATION. A taxable entity qualifies for a credit under this subchapter if the taxable entity subsidizes at least \$2,400 of the annual cost incurred by each employee of the entity to obtain child care during the employee's normal working hours at:

(1) a child-care facility licensed under Chapter 42, Human Resources Code, including a facility located on the employer's premises; or

(2) a registered or listed family home under Chapter 42, Human Resources Code.

1 Sec. 171.9264. AMOUNT OF CREDIT; LIMITATION. (a) Subject
2 to Subsections (b) and (c), the amount of a taxable entity's credit
3 for a report is equal to the lesser of:

4 (1) the total amount of the subsidies described by
5 Section 171.9263 the entity paid during the period on which the
6 report is based; or

7 (2) four percent of the amount of the franchise tax due
8 for the report after applying all other applicable credits.

9 (b) The total credit claimed on a report, including the
10 amount of any carryforward under Section 171.9265, may not exceed
11 the amount of franchise tax due for the report after applying all
12 other applicable credits.

13 (c) The total amount of credits that may be awarded under
14 Subsection (a) in a state fiscal year may not exceed \$20 million.

15 (d) The comptroller by rule shall prescribe procedures by
16 which the comptroller will allocate the amount of credits available
17 under Subsection (c). The procedures must provide that credits are
18 allocated to taxable entities that applied for the credit on a pro
19 rata basis.

20 Sec. 171.9265. CARRYFORWARD. (a) If a taxable entity is
21 eligible for a credit that exceeds the limitation under Section
22 171.9264(b), the entity may carry the unused credit forward for not
23 more than two consecutive reports.

24 (b) A carryforward is considered the remaining portion of a
25 credit that cannot be claimed on a report because of the limitation
26 under Section 171.9264(b).

27 (c) Credits, including a carryforward, are considered to be

1 used in the following order:

2 (1) a carryforward under this section; and

3 (2) a credit for the period on which the report is
4 based.

5 Sec. 171.9266. APPLICATION FOR CREDIT. A taxable entity
6 must:

7 (1) apply for a credit under this subchapter on or with
8 the report for which the credit is claimed and in the manner
9 prescribed by the comptroller; and

10 (2) include with the application any information
11 requested by the comptroller to determine the entity's eligibility
12 for and the amount of the credit.

13 Sec. 171.9267. ASSIGNMENT PROHIBITED; EXCEPTION. A taxable
14 entity may not convey, assign, or transfer the credit allowed under
15 this subchapter to another taxable entity unless substantially all
16 of the assets of the taxable entity are conveyed, assigned, or
17 transferred in the same transaction.

18 Sec. 171.9268. RULES. The comptroller shall adopt rules
19 necessary to implement and administer this subchapter.

20 SECTION 2. This Act applies only to a report originally due
21 on or after the effective date of this Act.

22 SECTION 3. This Act takes effect January 1, 2026.