

By: West

S.B. No. 654

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for certain child-care centers that increase their capacity to care for children.

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

SECTION 1. It is the intent of the legislature that the franchise tax credit proposed by this Act will incentivize large-scale child-care providers to create additional capacity at the providers' locations and therefore significantly increase the availability of child care in this state.

SECTION 2. Chapter 171, Tax Code, is amended by adding Subchapter P-1 to read as follows:

SUBCHAPTER P-1. TAX CREDIT FOR CHILD-CARE CENTERS THAT INCREASE CAPACITY

Sec. 171.821. DEFINITION. In this subchapter, "licensed child-care center" means a child-care center licensed, certified, or registered by the Department of Family and Protective Services to provide assessment, care, training, education, custody, treatment, or supervision for a child who is not related by blood, marriage, or adoption to the owner or operator of the center, for all or part of the 24-hour day, whether or not the center is operated for profit or charges for the services it offers.

Sec. 171.822. 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.

1 Sec. 171.823. QUALIFICATION. A taxable entity qualifies
2 for a credit under this subchapter if the taxable entity operates
3 one or more licensed child-care centers, each of which is certified
4 as a provider in the Texas Rising Star Program.

5 Sec. 171.824. AMOUNT OF CREDIT; LIMITATIONS. (a) This
6 subsection applies to a taxable entity other than a taxable entity
7 described by Subsection (b). Subject to Subsections (c) and (d),
8 the amount of the credit a taxable entity to which this subsection
9 applies may claim on a report for each licensed child-care center
10 location operated by the entity is equal to:

11 (1) if the capacity of the licensed child-care center
12 is increased 25 percent or more but less than 50 percent during the
13 period on which the report is based, 50 percent of the additional
14 salary associated with the increase in the capacity of the licensed
15 child-care center paid by the entity during the period on which the
16 report is based;

17 (2) if the capacity of the licensed child-care center
18 is increased by 50 percent or more but less than 75 percent during
19 the period on which the report is based, 75 percent of the
20 additional salary associated with the increase in the capacity of
21 the licensed child-care center paid by the entity during the period
22 on which the report is based; or

23 (3) if the capacity of the licensed child-care center
24 is increased by 75 percent or more during the period on which the
25 report is based, 100 percent of the additional salary associated
26 with the increase in the capacity of the licensed child-care center
27 paid by the entity during the period on which the report is based.

1 (b) This subsection applies only to a taxable entity that is
2 a member of an affiliated group that files a combined report under
3 Section 171.1014. Subject to Subsections (c) and (d), the amount of
4 the credit a taxable entity to which this subsection applies may
5 claim on a report is equal to:

6 (1) if the capacity of at least 50 percent of the
7 licensed child-care center locations operated by all members of the
8 taxable entity's combined group is increased by 25 percent or more
9 but less than 50 percent during the period on which the report is
10 based, 50 percent of the additional salary associated with the
11 increase in capacity at those locations paid during the period on
12 which the report is based;

13 (2) if the capacity of at least 50 percent of the
14 licensed child-care center locations operated by all members of the
15 taxable entity's combined group is increased by 50 percent or more
16 but less than 75 percent during the period on which the report is
17 based, 75 percent of the additional salary associated with the
18 increase in capacity at those locations paid during the period on
19 which the report is based; or

20 (3) if the capacity of at least 50 percent of the
21 licensed child-care center locations operated by all members of the
22 taxable entity's combined group is increased by 75 percent or more
23 during the period on which the report is based, 100 percent of the
24 additional salary associated with the increase in capacity at those
25 locations paid during the period on which the report is based.

26 (c) A taxable entity may continue to claim a credit in the
27 amount the entity claims on the first report on which the entity

1 claims a credit under this subchapter on the two reports due
2 subsequent to that first report if the entity maintains the
3 increase in child-care capacity that forms the basis of the credit
4 claimed on the first report during the period covered by each of the
5 two subsequent reports.

6 (d) The total amount of credit claimed by a taxable entity
7 on a report may not exceed the amount of franchise tax due for the
8 report after the application of any other applicable credits.

9 Sec. 171.825. APPLICATION FOR CREDIT. (a) A taxable entity
10 must apply for a credit under this subchapter on or with the report
11 for the period for which the credit is claimed.

12 (b) A taxable entity must apply for the credit in the manner
13 prescribed by the comptroller and include with the application any
14 information requested by the comptroller to determine whether the
15 entity is eligible for the credit under this subchapter.

16 Sec. 171.826. ASSIGNMENT PROHIBITED; EXEMPTION. A taxable
17 entity may not convey, assign, or transfer a credit under this
18 subchapter to another entity unless substantially all of the assets
19 of the taxable entity are conveyed, assigned, or transferred in the
20 same transaction.

21 Sec. 171.827. RULES. The comptroller shall adopt rules
22 necessary to implement and administer this subchapter.

23 SECTION 3. This Act applies only to a report originally due
24 on or after the effective date of this Act.

25 SECTION 4. This Act takes effect January 1, 2026.