

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 60th Legislature (2025)

4 ENGROSSED SENATE
5 BILL NO. 684

By: Paxton and Daniels of the
Senate

6 and

7 Hilbert of the House

8
9
10 An Act relating to income tax credit; amending
11 Section 2, Chapter 278, O.S.L. 2023, as amended by
12 Section 3, Chapter 277, O.S.L. 2024 (70 O.S. Supp.
13 2024, Section 28-101), which relates to the Oklahoma
14 Parental Choice Tax Credit Act; defining term;
15 modifying definition; modifying tax years for which
16 certain annual credit limit is enforced; prescribing
17 procedure for enforcement of annual limit; increasing
18 the annual credit limitation by the amount of certain
19 unused credit; requiring the Department of Human
20 Services and the Oklahoma Health Care Authority to
21 verify certain claims by applicants upon request;
22 modifying application period for certain school
23 years; requiring the payment of full credit amount by
24 certain date; modifying preference for taxpayers who
 received credit in prior years; stipulating that
 authorization to reallocate credit is before certain
 date; requiring participating private schools to
 provide certain information to the Oklahoma Tax
 Commission; updating statutory references; updating
 statutory language; providing an effective date; and
 declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

1 SECTION 1. AMENDATORY Section 2, Chapter 278, O.S.L.

2 2023, as amended by Section 3, Chapter 277, O.S.L. 2024 (70 O.S.

3 Supp. 2024, Section 28-101), is amended to read as follows:

4 Section 28-101. A. As used in the Oklahoma Parental Choice Tax
5 Credit Act:

6 1. "Accrediting association" means a legal entity, or that part
7 of a legal entity, that meets the accreditation requirements set by
8 the State Board of Education or another accrediting association
9 approved by the State Board of Education;

10 2. "Commission" means the Oklahoma Tax Commission;

11 2. 3. "Curriculum" means a complete course of study for a
12 particular content area or grade level;

13 3. 4. "Department" means the State Department of Education;

14 4. 5. "Education service provider" means a person, business,
15 public school district, public charter school, magnet school, or
16 organization that provides educational goods and/or services to
17 eligible students in this state;

18 5. 6. "Eligible student" means a resident of this state who is
19 eligible to enroll in a public school in this state. Eligible
20 student shall include a student who is enrolled in and attends or is
21 expected to enroll in a private school in this state accredited by
22 the State Board of Education or another accrediting association or a
23 student who is educated pursuant to the other means of education

24

1 exception provided for in subsection A of Section 10-105 of this
2 title;

3 ~~6.~~ 7. "Qualified expense" for the purpose of claiming the
4 credit authorized by paragraph 1 of subsection C of this section
5 means tuition and fees at a private school in this state accredited
6 by the State Board of Education or another accrediting association.

7 Such private school shall comply with the provisions of subsection L
8 of this section. Provided, the amount of tuition and fees
9 considered a qualified expense pursuant to this paragraph shall not
10 include tuition and fees paid with any scholarship or tuition and
11 fees discounted or otherwise reduced by the school;

12 ~~7.~~ 8. "Qualified expense" for the purpose of claiming the
13 credit authorized by paragraph 2 of subsection C of this section
14 means the following expenditures:

- 15 a. tuition and fees for nonpublic learning programs,
16 online or in person,
- 17 b. academic tutoring services provided by an individual
18 or a private academic tutoring facility,
- 19 c. textbooks, curriculum, or other instructional
20 materials including, but not limited to, supplemental
21 materials or associated online instruction required by
22 an education service provider, and
- 23 d. fees for nationally standardized assessments
24 including, but not limited to, assessments used to

1 determine college admission and advanced placement
2 examinations as well as tuition and fees for tutoring
3 or preparatory courses for the assessments; and

4 8. 9. "Taxpayer" means a biological or adoptive parent,
5 grandparent, aunt, uncle, legal guardian, custodian, or other person
6 with legal authority to act on behalf of an eligible student.

7 B. There is hereby created the Oklahoma Parental Choice Tax
8 Credit Program to provide an income tax credit to a taxpayer for
9 qualified expenses to support the education of eligible students in
10 this state.

11 C. For the tax year 2024 and subsequent tax years, and fiscal
12 year 2026 and subsequent fiscal years, there shall be allowed
13 against the tax imposed by Section 2355 of Title 68 of the Oklahoma
14 Statutes a credit for any Oklahoma taxpayer who incurs a qualified
15 expense on behalf of an eligible student, to be administered subject
16 to the following amounts:

17 1. If the eligible student attends a private school in this
18 state accredited by the State Board of Education or another
19 accrediting association, the annual maximum credit amount for tax
20 year 2024, fiscal year 2026, and each subsequent fiscal year shall
21 be:

22 a. Seven Thousand Five Hundred Dollars (\$7,500.00) or the
23 amount of tuition and fees for the private school,
24 whichever is less, if the combined adjusted gross

1 income of the parents or legal guardians of the
2 eligible student during the second preceding tax year
3 does not exceed Seventy-five Thousand Dollars
4 (\$75,000.00),

5 b. Seven Thousand Dollars (\$7,000.00) or the amount of
6 tuition and fees for the private school, whichever is
7 less, if the combined adjusted gross income of the
8 parents or legal guardians of the eligible student
9 during the second preceding tax year is more than
10 Seventy-five Thousand Dollars (\$75,000.00) but does
11 not exceed One Hundred Fifty Thousand Dollars
12 (\$150,000.00),

13 c. Six Thousand Five Hundred Dollars (\$6,500.00) or the
14 amount of tuition and fees for the private school,
15 whichever is less, if the combined adjusted gross
16 income of the parents or legal guardians of the
17 eligible student during the second preceding tax year
18 is more than One Hundred Fifty Thousand Dollars
19 (\$150,000.00) but does not exceed Two Hundred Twenty-
20 five Thousand Dollars (\$225,000.00),

21 d. Six Thousand Dollars (\$6,000.00) or the amount of
22 tuition and fees for the private school, whichever is
23 less, if the combined adjusted gross income of the
24 parents or legal guardians of the eligible student

during the second preceding tax year is more than Two Hundred Twenty-five Thousand Dollars (\$225,000.00) but does not exceed Two Hundred Fifty Thousand Dollars (\$250,000.00), or Five Thousand Dollars (\$5,000.00) or the amount of tuition and fees for the private school, whichever is less, if the combined adjusted gross income of the parents or legal guardians of the eligible student during the second preceding tax year is more than Two Hundred Fifty Thousand Dollars (\$250,000.00);

11 2. For tax year 2024 and subsequent tax years, the maximum
12 credit amount shall be One Thousand Dollars (\$1,000.00) in qualified
13 expenses per eligible student in each tax year if the eligible
14 student is educated pursuant to the other means of education
15 exception provided for in subsection A of Section 10-105 of this
16 title. To claim the credit, the taxpayer shall submit to the
17 Commission receipts for qualified expenses as defined by paragraph 7
18 8 of subsection A of this section;

19 3. If the eligible student attends a private school in this
20 state, accredited by the State Board of Education or another
21 accrediting association, that exclusively serves students
22 experiencing homelessness, the credit amount shall be Seven Thousand
23 Five Hundred Dollars (\$7,500.00) or the amount of the cost to

1 educate the eligible student at the private school, whichever is
2 less;

3 4. If the eligible student attends a private school in this
4 state, accredited by the State Board of Education or another
5 accrediting association, that primarily serves financially
6 disadvantaged students, the credit amount shall be the maximum
7 credit amount authorized by paragraph 1 of this subsection or the
8 amount of the cost to educate the eligible student at the private
9 school, whichever is less. The cost to educate the eligible student
10 shall be equal to the average cost to educate all students attending
11 the private school, which shall be calculated by dividing the
12 private school's total expenditures in the previous year by the
13 total enrollment in the previous school year. A private school
14 shall be deemed to be primarily serving financially disadvantaged
15 students if ninety percent (90%) of the private school's admissions
16 are based on enrolling students whose gross family income is two
17 hundred fifty percent (250%) of the federal poverty threshold or
18 below;

19 5. The taxpayer shall retain all receipts of qualified expenses
20 as proof of the amounts paid each tax year the credit is claimed and
21 shall submit them to the Commission upon request;

22 6. If the credit exceeds the tax imposed by Section 2355 of
23 Title 68 of the Oklahoma Statutes, the excess amount shall be
24 refunded to the taxpayer; and

1 7. Credits claimed by a taxpayer pursuant to the provisions of
2 this section shall not be used to offset or pay the following:
3 a. delinquent tax liability,
4 b. accrued penalty or interest from the failure to file a
5 report or return,
6 c. accrued penalty or interest from the failure to pay a
7 state tax within the statutory period allowed for its
8 payment,
9 d. tax liability of the taxpayer from any prior tax year,
10 or
11 e. any debt, unpaid fine, final judgment, or claim filed
12 with the Commission by a qualified entity as defined
13 in Section 205.2 of Title 68 of the Oklahoma Statutes.

14 D. 1. a. For tax year 2024, the total amount of credits
15 authorized by paragraph 1 of subsection C of this
16 section shall not exceed One Hundred Fifty Million
17 Dollars (\$150,000,000.00).
18 b. For the period of January 1, 2025, through June 30,
19 2025, the total amount of credits authorized by
20 paragraph 1 of subsection C of this section shall not
21 exceed One Hundred Million Dollars (\$100,000,000.00).
22 The Commission shall not require a taxpayer who
23 received a credit pursuant to paragraph 1 of
24 subsection C of this section in tax year 2024 to

1 reapply for a credit payable during the period
2 described in this subparagraph. The Commission shall
3 base the credit amount payable for the spring 2025 on
4 the fall 2024 installment disbursement payment amount.

5 c. For fiscal year 2026 and subsequent fiscal years, the
6 total amount of credits authorized by paragraph 1 of
7 subsection C of this section shall not exceed Two
8 Hundred Fifty Million Dollars (\$250,000,000.00).

9 2. For tax year 2025 2026 and subsequent tax years, the total

10 amount of credits authorized by paragraph 2 of subsection C of this
11 section shall not exceed Five Million Dollars (\$5,000,000.00). The

12 Oklahoma Tax Commission shall annually calculate and publish a
13 percentage by which the credits authorized by this section shall be
14 reduced so the total amount of credits used to offset tax does not

15 exceed the annual limit. The formula to be used for the percentage
16 adjustment shall be Five Million Dollars (\$5,000,000.00) divided by

17 the amount of credit claimed in the second preceding tax year. In

18 the event the total tax credits authorized by this section exceed

19 the annual limit in any tax year, the Tax Commission shall permit

20 any excess but shall factor such excess into the percentage

21 adjustment formula for subsequent tax years.

22 3. If a taxpayer, on behalf of an eligible student in the

23 program, chooses not to participate, is no longer eligible to

24 participate, or chooses to forgo participation in the program for

1 any reason, the credit authorized by paragraph 1 of subsection C of
2 this section but not used and not reallocated pursuant to paragraph
3 3 of subsection H of this section shall be added to the subsequent
4 fiscal year limitation as provided in paragraph 1 of this
5 subsection.

6 E. The Commission shall prescribe applications for the purposes
7 of claiming the credits authorized by the Oklahoma Parental Choice
8 Tax Credit Act and a deadline by which applications shall be
9 submitted. A taxpayer claiming the credit authorized by paragraph 1
10 of subsection C of this section shall submit an application
11 prescribed by the Commission to receive the credit ~~in two~~
12 ~~installments, each of which shall be half of the expected amount of~~
13 ~~tuition and fees for the private school~~ based on the enrollment
14 verification form submitted pursuant to this subsection, but in no
15 event shall ~~an installment~~ a payment exceed the amount of the credit
16 authorized by paragraph 1 of subsection C of this section. If an
17 eligible taxpayer provides documentation on the application that he
18 or she is a recipient of income-based government benefits including
19 the Supplemental Nutrition Assistance Program (SNAP), Temporary
20 Assistance for Needy Families (TANF), or ~~SoonerCare~~ the Oklahoma
21 Medicaid Program commonly known as SoonerCare, the eligible taxpayer
22 shall not be required to provide additional income verification.
23 The Department of Human Services and the Oklahoma Health Care
24 Authority shall, upon request by the Oklahoma Tax Commission, verify

1 whether an applicant receives income-based government benefits. The
2 taxpayer shall provide authorization for the Oklahoma Tax Commission
3 to disclose application data to the Department of Human Services
4 and/or the Oklahoma Health Care Authority, and for Department of
5 Human Services and/or the Oklahoma Health Care Authority to provide
6 confirmation of benefits to the Oklahoma Tax Commission for purposes
7 of verifying that the taxpayer is a current recipient of SNAP, TANF,
8 or Oklahoma Medicaid Program benefits; provided, the information
9 shall not be used for any other purpose. A taxpayer claiming the
10 credit authorized by paragraph 1 of subsection C of this section
11 shall submit to the Commission an enrollment verification form from
12 the private school in which the eligible student is enrolled or is
13 expected to enroll with the tuition and fees to be charged the
14 taxpayer for the applicable school year. In reviewing applications
15 submitted by eligible taxpayers to determine whether they qualify
16 for a credit authorized by paragraph 1 of subsection C of this
17 section, the Commission shall give first preference in making
18 installments payments to taxpayers who qualify pursuant to
19 subparagraphs a and b of paragraph 1 of subsection C of this
20 section. The Commission shall give second preference in making
21 payments to taxpayers who qualify and have received the credit in
22 the prior year. For credits issued in the ~~2025-2026~~ 2026-2027
23 school year and subsequent school years, the application period
24 shall be open on February 15 March 15 through June 15 prior to the

beginning of each school year. For any eligible student whose parents or legal guardians have a combined adjusted gross income that does not exceed One Hundred Fifty Thousand Dollars (\$150,000.00) or qualified and received credit in the prior year, applications shall be submitted to the Commission within the first sixty (60) days of the opening of the application period to receive priority consideration. For students enrolled in the full school year, the full credit amount authorized for the school year shall be paid ~~in two installments, one per school semester, to be paid no later than August 30 and January 15, each of which shall be half of the total expected amount of tuition and fees on the enrollment verification form submitted pursuant to this subsection.~~

F. ~~In the event there are more applications submitted by eligible taxpayers for a credit authorized by paragraph 1 of subsection C of this section than available credits pursuant to subsection D of this section, then the Commission shall give first preference in authorizing credits for eligible students of taxpayers who qualify pursuant to subparagraphs a and b of paragraph 1 of subsection C of this section and have received the credit in the prior year.~~

G. Taxpayers claiming the credit shall:

1. Only claim the credit for qualified expenses as defined in paragraphs 6 7 and 7 8 of subsection A of this section to provide an education for an eligible student;

1 2. Ensure no other person is claiming a credit for the eligible
2 student;

3 3. Not claim the credit for an eligible student who enrolls as
4 a full-time student in a public school district, public charter
5 school, public virtual charter school, or magnet school;

6 4. Comply with rules and requirements established by the
7 Commission for administration of the Oklahoma Parental Choice Tax
8 Credit Program; and

9 5. Notify the Commission not later than thirty (30) days after
10 the date on which the eligible student:

- 11 a. enrolls in a public school, including an open-
- 12 enrollment charter school,
- 13 b. enrolls in a nonaccredited private school,
- 14 c. graduates from high school, or
- 15 d. is no longer utilizing credits authorized by paragraph
16 1 of subsection C of this section for any reason.

17 H. G. Eligible students may accept a scholarship from the
18 Lindsey Nicole Henry Scholarships for Students with Disabilities
19 Program created by Section 13-101.2 of this title while
20 participating in the Oklahoma Parental Choice Tax Credit Program.

21 I. H. 1. The Commission shall have the authority to conduct an
22 audit or contract for the auditing of receipts for qualified
23 expenses submitted pursuant to paragraph 2 of subsection C of this
24 section.

1 2. The Commission shall be authorized to recapture the credits
2 otherwise authorized by the provisions of the Oklahoma Parental
3 Choice Tax Credit Act on a prorated basis if an audit conducted
4 pursuant to this subsection shows that the credit was claimed for
5 expenditures that were not qualified expenses or it finds that the
6 taxpayer has claimed an eligible student who no longer attends a
7 private school or has enrolled in a public school in the state.

8 3. The Commission shall be authorized to reallocate credits for
9 the current application year to the next eligible taxpayer in line
10 when a taxpayer, on behalf of an eligible student in the program,
11 chooses not to participate, is no longer eligible to participate, or
12 chooses to forgo participation in the program for any reason no
13 later than September 1 following the opening of the application
14 period of each year.

15 4. The Commission shall provide notification of approval status
16 to applicants within thirty (30) days of closure of the application
17 window. Notice to applicants with an eligible student, whose
18 parents or legal guardians have a combined adjusted gross income of
19 more than One Hundred Fifty Thousand Dollars (\$150,000.00), shall be
20 sent within thirty (30) days or no later than thirty (30) days after
21 the last day of the priority consideration period.

22 J. I. In the event of a failure of revenue pursuant to the
23 Oklahoma State Finance Act, the tax credits otherwise authorized in
24 subsection C of this section shall be reduced proportionately to the

1 reduction in the amount of money appropriated to the State Board of
2 Education for the financial support of public schools for the fiscal
3 year in which the failure of revenue occurs.

4 K. J. The Commission shall make available on its website to be
5 updated monthly:

6 1. The total amount of credits claimed each year pursuant to
7 paragraphs 1 through 4 of subsection C of this section;

8 2. The amount of credits claimed and number of students awarded
9 each fiscal year pursuant to paragraph 1 of subsection C of this
10 section disaggregated by income categories;

11 3. The total amount of credits claimed and number of students
12 awarded who attended a public school in the semester immediately
13 preceding the school year for which the application is made each
14 year; and

15 4. The total number of applications denied and total amount of
16 credits the denied applications represent for each fiscal year.

17 L. K. Credits received pursuant to the Oklahoma Parental Choice
18 Tax Credit Act shall not constitute taxable income to a taxpayer who
19 received the credit on behalf of an eligible student.

20 L. No later than June 15 of each year, each participating
21 private school shall electronically provide information to confirm
22 student enrollment and tuition information for the fall and spring
23 semesters of the preceding school year and any other information
24 requested by the Oklahoma Tax Commission. Failure to provide this

1 | information may result in denial of private school participation in
2 | subsequent school years.

3 | SECTION 2. This act shall become effective July 1, 2025.

4 | SECTION 3. It being immediately necessary for the preservation
5 | of the public peace, health or safety, an emergency is hereby
6 | declared to exist, by reason whereof this act shall take effect and
7 | be in full force from and after its passage and approval.

8 |
9 | COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated
04/16/2025 - DO PASS.

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