

1 State of Arkansas
2 95th General Assembly
3 Regular Session, 2025
4

As Engrossed: H1/16/25
A Bill

HOUSE BILL 1019

5 *Representatives D. Garner, A. Collins, Springer*
6
7

For An Act To Be Entitled

9 AN ACT TO CREATE THE AFFORDABLE CHILDCARE ACT OF
10 2025; TO CREATE AN INCOME TAX CREDIT FOR EMPLOYERS
11 WHO ASSIST EMPLOYEES WITH CHILDCARE COSTS; TO REPLACE
12 THE EXISTING INCOME TAX CREDIT FOR EMPLOYER-OPERATED
13 CHILDCARE FACILITIES; AND FOR OTHER PURPOSES.
14
15

Subtitle

16
17 TO CREATE THE AFFORDABLE CHILDCARE ACT
18 OF 2025; TO CREATE AN INCOME TAX CREDIT
19 FOR EMPLOYERS WHO ASSIST EMPLOYEES WITH
20 CHILDCARE COSTS; AND TO REPLACE THE
21 EXISTING INCOME TAX CREDIT FOR EMPLOYER-
22 OPERATED CHILDCARE FACILITIES.
23

24 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
25

26 SECTION 1. Arkansas Code Title 26, Chapter 51, Subchapter 5, is
27 amended to add an additional section to read as follows:

28 26-51-518. Affordable Childcare Act of 2025 – Employer childcare
29 assistance tax credit.

30 (a) This section shall be known and may be cited as the "Affordable
31 Childcare Act of 2025".

32 (b)(1) There is allowed an income tax credit against the income tax
33 imposed by this chapter in the amount determined under subsection (c) of this
34 section for a business that pays for or provides childcare for the dependent
35 children of its employees.

36 (2) To qualify for the income tax credit allowed under this



1 section, the childcare must be provided by a childcare facility that is
2 licensed under the Childcare Facility Licensing Act, § 20-78-201 et seq.

3 (c) The income tax credit allowed under this section is allowed in
4 amounts equal to the following:

5 (1) Thirty percent (30%) of the total amount expended by a
6 business for childcare services purchased to provide care for the dependent
7 children of its employees or for the provision of the service of locating
8 childcare services for the dependent children of its employees;

9 (2)(A) In the tax year in which a facility providing childcare
10 services for use primarily by the dependent children of employees is
11 established by a business independently or in conjunction with one or more
12 other businesses, fifty percent (50%) of the total amount expended by a
13 business in the establishment and operation of the facility.

14 (B) In tax years other than the tax year in which a
15 childcare facility is established under subdivision (c)(2)(A) of this
16 section, the income tax credit allowed under this section is equal to thirty
17 percent (30%) of the total amount expended by a business for the operation of
18 a childcare facility less the amount of moneys received by the business for
19 use of the facility for childcare services; and

20 (3) Fifty percent (50%) of the total amount expended by a
21 business as payments to an organization providing access to available
22 childcare services for the business's employees.

23 (d)(1) The credit allowed by subdivisions (c)(1) and (c)(2)(B) of this
24 section shall not exceed thirty thousand dollars (\$30,000) for any business
25 during any tax year.

26 (2) The credit allowed by subdivisions (c)(2)(A) and (c)(3) of
27 this section shall not exceed forty-five thousand dollars (\$45,000) for any
28 business during any tax year.

29 (e) If the amount of the income tax credit allowed under this section
30 exceeds the business's income tax liability, the excess shall be refunded to
31 the business.

32
33 SECTION 2. Arkansas Code §§ 26-51-507 and 26-51-508 are repealed.

34 ~~26-51-507. Employer provided child care—As qualified under former §~~
35 ~~26-52-401—Definition.~~

36 ~~(a) A business which qualifies for the exemption from the gross~~

1 ~~receipts tax under former § 26-52-401(29) shall be allowed an income tax~~
2 ~~credit of three and nine tenths percent (3.9%) of the annual salary of~~
3 ~~employees employed exclusively in providing childcare services.~~

4 ~~(b) If two (2) or more businesses participate in a childcare program~~
5 ~~for their employees as provided by former § 26-52-401(29), then each business~~
6 ~~will be allowed an income tax credit of three and nine tenths percent (3.9%)~~
7 ~~of the annual salary of only those employees who are on the respective~~
8 ~~business' payroll and are employed exclusively for providing childcare~~
9 ~~services.~~

10 ~~(c)(1) To qualify for the income tax credit, the revenue to the~~
11 ~~business or businesses from the childcare facility cannot exceed the direct~~
12 ~~operating costs of the facility. If, on an annual basis, the childcare~~
13 ~~facility receives revenue which exceeds the direct operating costs of the~~
14 ~~facility, the business or businesses will not be entitled to the income tax~~
15 ~~credit.~~

16 ~~(2) As used in this section, "direct operating costs" means:~~

17 ~~(A) The cost of food and beverages provided to the~~
18 ~~children;~~

19 ~~(B) The cost of labor for personnel whose services are~~
20 ~~performed exclusively on the premises of the childcare facility for the care~~
21 ~~of the children and all related employment taxes paid by the employer; and~~

22 ~~(C) All materials and supplies necessary to operate the~~
23 ~~childcare facility.~~

24 ~~(d) The income tax credit created by subsection (a) of this section~~
25 ~~shall first be available in the taxable year following the year the business~~
26 ~~makes payment of wages to childcare workers. To the extent that the credit is~~
27 ~~not fully utilized in this first year, it may be carried forward for an~~
28 ~~additional two (2) years. Any credit remaining thereafter shall expire.~~

29 ~~(e) The income tax provisions of this section shall be in full force~~
30 ~~and effect for all income tax years beginning on and after January 1, 1993.~~

31
32 ~~26-51-508. Employer provided child care—As qualified under § 26-52-~~
33 ~~516 or § 26-53-132—Definition.~~

34 ~~(a) A business which qualifies for the refund of the gross receipts~~
35 ~~tax or compensating use tax under § 26-52-516 or § 26-53-132 shall be allowed~~
36 ~~an income tax credit of three and nine tenths percent (3.9%) of the annual~~

1 salary of its employees employed exclusively in providing childcare service,
2 or a five thousand dollar income tax credit for the first tax year the
3 business provides its employees with a childcare facility.

4 (b) ~~If two (2) or more businesses participate in a childcare program~~
5 ~~for their employees as provided by § 26-52-516 or § 26-53-132, then each~~
6 ~~business will be allowed an income tax credit of three and nine tenths~~
7 ~~percent (3.9%) of the annual salary of only those employees who are on the~~
8 ~~respective business' payroll and are employed exclusively for providing~~
9 ~~childcare services. The first year's five thousand dollar credit will be~~
10 ~~prorated among the businesses based upon the percentage of the cost paid by~~
11 ~~each business for the initial construction and equipping of the childcare~~
12 ~~facility.~~

13 (c)(1)(A) ~~To qualify for the income tax credit, the revenue to the~~
14 ~~business or businesses from the childcare facility cannot exceed the direct~~
15 ~~operating costs of the facility.~~

16 (B) ~~If, on an annual basis, the business receives revenues~~
17 ~~from the operation of the childcare facility which exceed the direct~~
18 ~~operating costs of the facility, the businesses will not be entitled to the~~
19 ~~income tax credit.~~

20 (2) ~~As used in this subsection, "direct operating costs" means:~~

21 (A) ~~The cost of food and beverages provided to the~~
22 ~~children;~~

23 (B) ~~The cost of labor for personnel whose services are~~
24 ~~performed exclusively on the premises of the childcare facility for the care~~
25 ~~of the children and all related employment taxes paid by the employer; and~~

26 (C) ~~All materials and supplies necessary to operate the~~
27 ~~childcare facility.~~

28 (d) ~~The income tax credit created by subsection (a) of this section~~
29 ~~shall first be available in the taxable year following the year the business~~
30 ~~makes payment of wages to childcare workers. To the extent that the credit is~~
31 ~~not fully utilized in this first year, it may be carried forward for an~~
32 ~~additional two (2) years. Any credit remaining thereafter shall expire.~~

34 SECTION 3. EFFECTIVE DATE. Sections 1 and 2 of this act are effective
35 for tax years beginning on or after January 1, 2025.

36

/s/D.Garner

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36